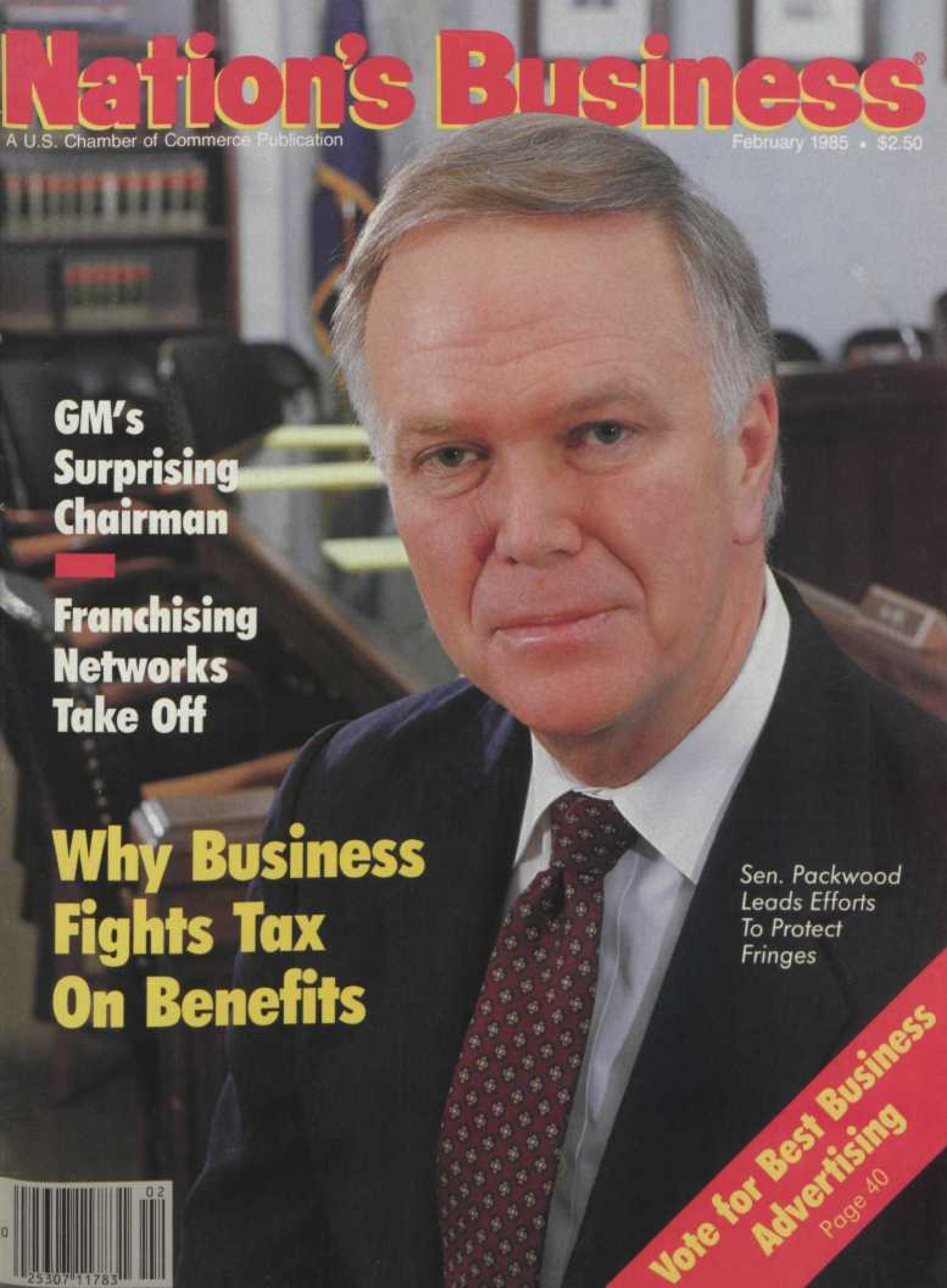
Nation's Business®

A U.S. Chamber of Commerce Publication

February 1985 • $2.50



GM's Surprising Chairman

Franchising Networks Take Off

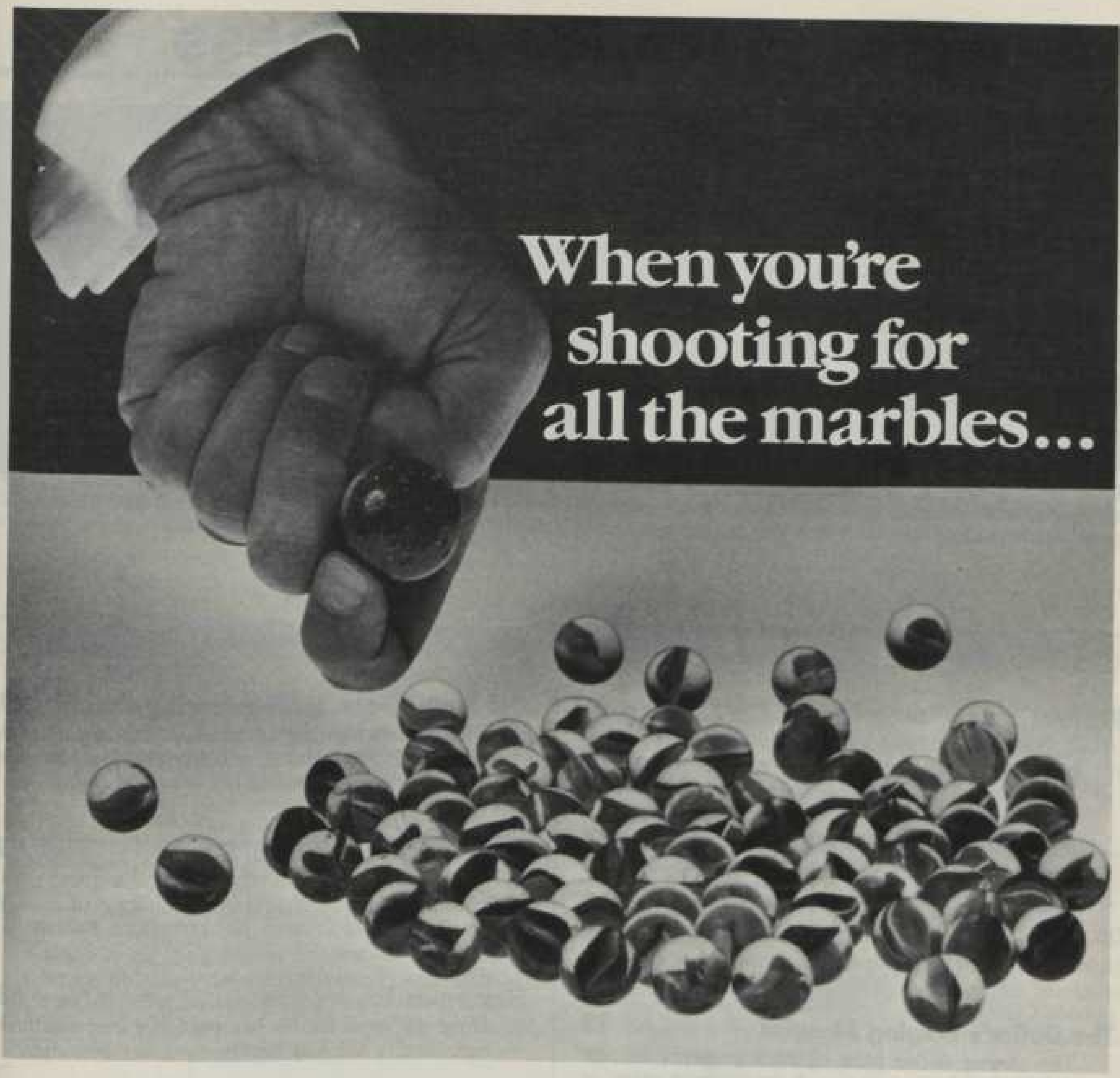
Why Business Fights Tax On Benefits

Sen. Packwood Leads Efforts To Protect Fringes

Vote for Best Business Advertising

Page 40


Eldorado.
The car that dreams are made of.
Ever since that summer job, you've dreamed of having your own Eldorado. And now you do. 1985 Eldorado. A very special Cadillac. With a style all its own and a special way of moving you like no other car. You were right all along. Eldorado is the car that dreams are made of.
1985 Eldorado
Best of all...it's a Cadillac.
LET'S GET IT TOGETHER... BUCKLE UP
GM
Circle No. 10 on Reader Service Card.



If you're playing for keeps in the selling game, you have to keep your professional skills and abilities at a high level of selling effectiveness. Because today's markets present the toughest selling challenges ever. That's why so many men and women in the sales profession today take the Dale Carnegie Sales Course® It's designed to help you increase your practical selling know-how quickly and measurably!

The Course is based on the practices and principles of motivational selling--a system that produces outstanding results for thousands of selling professionals every year. From the first session, it shows you workable new methods and techniques you can use immediately in the field to improve your performance and increase your sales.

It covers virtually every aspect of the selling process--from prospecting to making presentations, from handling objections to closing sales. And you learn by doing, not just listening. You get hands-on experience right in the classroom by applying the Course concepts in realistic selling encounters. Thus you sharpen and perfect your new selling tools before you put them to work in actual sales situations.

Find out how the Dale Carnegie Sales Course® can help you become more professional, more productive, more successful in selling. For a free copy of our quick-reading booklet that outlines the objectives and benefits of the Course, call toll-free **800-231-5800**. In Texas, call **800-392-2424**. Or write directly to the address below.

DALE CARNEGIE & ASSOCIATES, INC.

SUITE 515N • 6000 DALE CARNEGIE DRIVE (PVT.) • HOUSTON, TEXAS 77036

Circle No. 83 on Reader Service Card.

Nation's Business®

BUSINESS ISSUES

MANAGING YOUR MONEY

MANAGING YOUR BUSINESS

TECHNOLOGY

PHOTO: T. MICHAEL KEZA

Paul Hatjistilianos moved from teaching into a cleaning service franchise, with lots of help from the franchisor. 46

PHOTO: T. MICHAEL KEZA

House Speaker O'Neill and Minority Leader Michel open a new congressional session with a full menu of business issues. 63

Nation's Business (ISSN 0028-047X) is published monthly at 1615 H Street, N.W., Washington, D.C. 20062. Advertising sales headquarters: 711 Third Ave., New York, N.Y. 10017. Tel. (212) 370-1440. Subscription prices (United States and possessions): one year, $22; two years, $35; three years, $46; and in combination with the newspaper *The Business Advocate*, one year, $50; two years, $85; three years, $99. Printed in U.S.A. Second class postage paid at Washington, D.C.; and additional mailing offices. *Postmaster:* Please send form 3579 to 4940 Nicholson Court, Kensington, Md. 20895.

Casting the First Stone

LET IT BE SAID at the outset: South Africa's policies of apartheid, while they may be politically defensible within the context of that country's present-day life, are morally indefensible in any context. I say that with the same kind of urgency and conviction that tends to make some Catholic converts more Catholic than the Pope. I am a white Southerner. For much of my life I was party to the racial segregation that we imposed by law upon the Negro people. It took me a long time to accept the idea that such segregation is cruel and inhuman.

Having said that—and I ask you to accept it as coming from the heart—let me suggest that a great deal more remains to be said on the deeply troubling issue of American policy toward South Africa. A little sense of perspective is in order.

The older we grow, the more we comprehend the metaphor that time is a river. Men and nations take to the water at different points of entry, and they ride along at different speeds. Civilizations rise, and empires fall. Dark ages tread upon the heels of Greece and Rome. Ideas hang on—the idea, for example, that some men are merely chattels. Then barons meet at Runnymede, and new ideas take root. The idea of equality grows, but it grows erratically. In the infant United States the idea of equality finds eloquent expression: "All men are created equal," writes Tom Jefferson, slave owner. "Representatives shall be apportioned among the several states according to their respective numbers," decree the Founding Fathers, "which shall be determined by adding to the whole number of free persons . . . three fifths of all other persons."

The framers of the Constitution included the finest minds and most noble characters of that time: Washington, Madison, Hamilton, Franklin. In translation, their delicate reference to "all other persons" was a reference to slaves. A slave under our Constitution was only three fifths of a man. In other clauses of this venerable document, we provided for the return of slaves who escaped their masters. Seventy-five years after ratification, we waged four years of terrible civil warfare, but when the war ended and lawful segregation supposedly had been abolished, segregation continued *by law* for another 80 years. To this day in the United States, though the old forms of our apartheid have been wiped from our state codes and constitutions, much of the substance remains. Thus have we Americans traveled along the river of race relations.

While all this was going on, other events were happening. Like the Boers, who found the Bantu, our first settlers also found native people. These were the Indian tribes. How did we handle our own tribal people? Let us not flinch or turn our eyes. We slaughtered them. We brought our natives syphilis and whisky; we cheated them out of their land; we made hundreds of treaties and broke nearly all of them. In 1830 we passed the "Indian Removal Act," and thus we created the trail of tears by which the tribes were shunted off to distant territories. Shall we call these territories "homelands"? As recently as 1934, just 51 years ago, we tried through the Wheeler-Howard Act to provide for tribal ownership and limited self-government on largely barren reservations. Rivers of apartheid do not flow in South Africa only.

Nothing in our history authorizes us to scorn South Africa.

Nothing in our own history authorizes Americans to look with scorn upon South Africa. The ruling establishment there is at a different point on the river, and South Africa's problems of transition are a thousand times more difficult and complex than the problems we recall. There is much hypocrisy—and much selective indignation—behind the popular denunciations of South Africa. I think we should find it very difficult to gaze upon the troubled whites of Johannesburg and Cape Town and say, "We are so very much holier than thou."

Time is a river. I go back to the metaphor. In South Africa the old ways are changing just as our old ways began to change a generation ago. In parks and restaurants and sporting events, apartheid slips away. The Asian Indian and "coloured" people gain a measure of political participation. The most humiliating of the racial laws are disappearing one by one.

THE U. S. ROLE, it seems to me, is to apply the arts of persuasion, encouragement and good example. Punitive economic sanctions would be folly; sanctions don't work. To close U.S.-owned industries would be a devastating blow to black workers who are paid equally with whites. What is needed is perspective and understanding; we should look at Pretoria through the eyes of national memory.

We enlightened Americans ratified the Fifteenth Amendment to our Constitution in 1870, thus guaranteeing to all men a right to vote without regard to "race, color or previous condition of servitude." And how long did it take us, in a nation where blacks constitute only 12 percent of the population, to enforce that amendment? *Ninety-five years.* Let us think upon that and be patient.

Tax Reform—or Tax Retreat?

Your article on the Treasury Department's tax reform plan ["Business Tax Reform: Bitter With the Sweet?" December] fails to acknowledge any of the positive changes that are being proposed. How can you overlook a 30 percent reduction in the top corporate rate? For some industries, that would mean savings in the millions. And what about the benefits of making our tax code simpler, so that a small businessman can save money by filling out his own return?

We all complain about the tax code's complexity, but when it comes down to it, we still sing the same song: Don't tax you, don't tax me, tax that man behind the tree.

C.P. HITCHCOCK
Solon, Ohio

Those of us involved in Midwestern manufacturing concerns, many still feeling the effects of the recession, are perplexed by Treasury Secretary Donald Regan's tax simplification plan.

Four years ago, the Reagan administration championed a policy of reducing the tax burden on business. The proof of the value of this policy has been wasted on Regan, who now proposes to shift the tax burden to corporate and high-income sources. This "Robin Hood" policy created the problem that the original Reagan policy addressed, and it could only do so again.

Particularly hard hit by the Regan plan would be small business, credited as a major creator of new jobs. Is this a growth policy?

If tax simplification is desirable—and most of us would agree that it is—let's do it. But we should not be fooled by rhetoric that promises simplification but results in tax increases.

STEVEN H. VAN WIE
President
Eckmann Pressed Metal
Racine, Wis.

Forgetting to say Grace

What has happened to your magazine's coverage of the Grace Commission's report? Your December issue did not include one word about this very important study.

I think it is imperative that NATION'S BUSINESS and chambers of commerce all over the country push continually the recommendations of the 161 top executives and over 2,000 volunteers who devoted more than three years and $75 million to assembling them. We can talk about tax reform, but this report can help us more to balance the federal budget than all of the planned tax changes.

We need to convince our legislators that waste and mismanagement in government are the reasons we will never balance our budget and that it is high time that these elected representatives forget politics and special interests and look at the recommendations of our top business people. I would hate to think that they wasted their time and talents on a report that Congress chooses to ignore.

RALPH E. HUNT
General Manager
Alliance Area Chamber of Commerce
Alliance, Ohio

What's in a name?

"Surviving Success in a New Business" [December] refers to "the State of Massachusetts." Massachusetts is, however, officially a commonwealth (as are Kentucky, Virginia and Pennsylvania) and should have been referred to as "the Commonwealth of Massachusetts" or "the state of Massachusetts." The word "state," not being a part of the proper name, should not be capitalized.

JOHN J. FRANCISCO
Louisville, Ky.

Acid upset

Re: "Little Is Plain About Acid Rain" [November]. I believe that the article missed two of the major sources of acid rain, both attributable to the well-meaning but nonetheless disastrous actions of the Environmental Protection Agency.

The first is the practical elimination of particulate smokestack emissions, which actually neutralized acidic gaseous emissions in the upper atmosphere, much as the ash residue of forest fires neutralizes the acidic forest floor. The acidic gaseous emissions now combine with the moisture in the atmosphere and return to the earth as dilute acids.

Send letters to Editor, NATION'S BUSINESS, *1615 H Street, N.W., Washington, D.C. 20062, and include your phone number. Letters addressed to the Editor will be considered for publication unless the writer requests otherwise, and they may be edited and condensed.*

The second source, and by far the most devastating, is the catalytic converter on our automobiles. This one source probably causes more damage to the environment it is supposed to protect than all the other sources of pollution combined. As most people are aware, the major by-product of the catalytic converter is sulfurous compounds, most notably sulfur dioxide, which accounts for the acrid odor that is now the hallmark of auto exhausts. These sulfurous compounds rapidly combine with moisture in the atmosphere and produce sulfurous acid.

PAUL T. KELLY
Fort Wayne, Ind.

Not beyond compare

Re: "Compared to What?" [James J. Kilpatrick, December].

Kilpatrick appears to be much too eager to dismiss the effort to attain some reasonable degree of pay equity, simply because the task promises to be Herculean.

It may not be possible to develop a simple, objective formula that will permit the accurate judging of the comparable worth of jobs. There may be too many inane consequences of any legislative or judicial decrees that require employers to provide equal pay for jobs of "comparable worth."

I agree that magisterial decrees alone cannot cure this kind of unfairness. But as I reflect on our country's history of progress in the areas of civil rights and consumer protection, it seems obvious that magisterial decrees can provide the impetus that the marketplace needs to cure an obvious wrong.

ROBERT K. GEORGESON
Lawrence, Kans.

"Equal pay for work of comparable worth" is an interesting proposition—crazy or not. What was not interesting was the way that Kilpatrick handled the issue.

The first half of his article was informative, though biased. The second half was a hysterical mess. When a person resorts to such words as "the idea is nuts" and "soothsayers and dowsers," that person is writing from a threatened perspective. It is not Kilpatrick

who is being threatened but a system that has long needed analyzing. If "comparable worth" is not a sound idea, let's hear Kilpatrick's counteroffer.

JOAN SPENCER
Fort Wayne, Ind.

Was Tandy first?

Your article on John Sculley of Apple Computer, "Taking a Bigger Bite of the Personal Computer Market" [November], errs when it states that "Apple was the first successful mass producer of PCs."

Tandy Corporation's Radio Shack was the first successful mass producer of PCs. When it first marketed its TRS-80 in mid-1977, Radio Shack had more than 5,300 stores in the United States and 320 in Canada; of these, 3,600 were company owned and operated. Thus Radio Shack became the first mass distributor as well as the first mass producer.

This is not to minimize Apple's products or skills, but Tandy's place in the record book should be preserved.

LEWIS KORNFELD
Tandy Corporation
Fort Worth

Editor's note: *The TRS-80 and the Apple II were both introduced in 1977. The question of whether Tandy or Apple was the first mass producer of home computers involves such variables as the definition of "mass" and the period used for measuring production. The history of the industry will obviously show that both companies qualify as pioneers in the popularization of the home computer.*

Fixing the blame

After reading "Driven from Drink" [December], I had to write to express my total disagreement with the new laws holding hosts and employers responsible for someone else's overindulgence in alcohol.

Alcoholics and drunk drivers always seem to try to push the responsibility for their actions onto someone else, be it their families, their friends or, now, their bosses.

Until drunk-driving laws set stiffer penalties for the drivers, nothing will slow the drivers down.

NICOLE RICHARDSON
Rochelle Park, N.J.

The Chamber of Commerce of the United States, publisher of NATION'S BUSINESS, is a federation of businesses, trade associations, local and state chambers, and American chambers of commerce abroad.

CHAIRMAN OF THE BOARD
Van P. Smith
PRESIDENT
Dr. Richard L. Lesher
GROUP VICE PRESIDENT/COMMUNICATIONS
Dr. Carl Grant
VICE PRESIDENT/PUBLISHING
David A. Roe

Nation's Business

EDITOR
Robert T. Gray
MANAGING EDITOR
Henry Altman
SENIOR EDITORS
Henry Eason, Sharon Nelton, Peter A. Holmes, Mike Lewis, Harry Bacas, Ripley Hotch
ASSOCIATE EDITORS
Michael Barrier, Mary-Margaret Wantuck
CONTRIBUTING EDITORS
James J. Kilpatrick, Del Marth, Bob Gatty, Gerald W. Padwe, Robert J. Aagre, Grover Heiman
PRODUCTION EDITOR
Sharon Hockman Ames

ART DIRECTOR
Hans A. Baum
ASSISTANT ART DIRECTOR
Richard C. Freund
SENIOR ARTISTS
Richard A. Fletcher, Mary I. Czarnik
PHOTO DEPARTMENT
David W. Wooddell, photo editor
Frances Borchardt, assistant photo editor
T. Michael Keza, chief photographer

PRODUCTION
Harry N. Miller, manager
Audrey J. Adamson, associate manager

DOMESTIC ADVERTISING
W. Brett Perrine, director
Kathleen Brown, administrator
(212) 370-1440
ADVERTISING MANAGERS
Atlanta (404) 393-0140
James M. Yandle
Chicago (312) 346-3526
Michael McNew
Dallas (214) 387-0404
Richard Chalkley
Dearborn (313) 336-2410
Robert H. Gotshall, Richard Topous
Los Angeles (213) 651-1466
Cathy Adler
New York (212) 370-1440
Raymond Murray, Jerry V. Camporine, Donald B. MacGillivray, Arthur V. Irwin, Jr., Joseph Adduci
San Francisco (415) 421-7436
Hugh Reynolds

CLASSIFIED ADVERTISING
(202) 463-5640
Carol E. Ruegamer, manager
Joseph A. Sanders, account executive

INTERNATIONAL MARKETING
(202) 463-5716
El Motaz Sonbol, director
Patricia Boling, manager

CIRCULATION
Steven Fustero, director
Lucy Oliver, manager

PROMOTION AND RESEARCH
Sandra Wade, director
Sharon Warden, research manager
Regina Sokas, copywriter
Gabrielle Beckman, promotion coordinator

BUSINESS MANAGER
Leonard I. Rippa

WASHINGTON LETTER

▶ BUSINESS PEOPLE ARE UP IN ARMS over tough new record-keeping requirements on business use of automobiles. To qualify for investment tax credit and accelerated depreciation, taxpayers (companies, employes who use their own cars on company business and the self-employed) must now keep "adequate contemporaneous record" showing mileage, purpose of each business trip in car. Must also certify to tax preparer, if one is used, that such record exists. Law previously required only "sufficient evidence," which was subject to broad interpretation. U.S. Chamber of Commerce, which opposed change in law, considering push to win revisions that could range from modification to repeal.

▶ SOCIAL SECURITY OUTLAYS figure more and more in budget-cutting deliberations. Senate Republicans, taking initiative on deficit reduction moves, won't rule out savings through one-year elimination of cost-of-living increases in Social Security. Step would save $25 billion by 1988, year President hopes to have deficit down to 2 percent of gross national product. Initial reaction from White House, both parties in House is cool. But GOP senators pressing plan believe it will have to be considered seriously when Congress eventually gets down to hard decisions on cutting deficit.

▶ WHITE HOUSE OBJECTIONS to putting temporary brake on increase in Social Security outlays stem from President Reagan's hard-line campaign pledge that program would be exempted from cuts. But Senate plan could unfold in way that would enable him to tell voters Congress forced him into position of choosing between two campaign promises--one to protect Social Security from cutbacks, another to take action to reduce the federal deficit significantly.

▶ BUDGET REDUCTION efforts take on new urgency in face of figures showing much sharper-than-anticipated increases in federal spending, deficits. Outlays for first quarter of current fiscal year, which began October 1, are up 16.6 percent over corresponding period year earlier. Deficit--pegged at $175 billion in mid-year administration forecast--could soar past $210 billion this year, current figures show.

▶ INTENSIFYING FISCAL PROBLEMS that could endanger economy's health are also causing Congress to question whether its decade-old procedures for considering annual federal budgets should not be reformed. The machinery for orderly consideration of a comprehensive tax-and-spending plan has become increasingly unworkable in recent years because of congressional inability to make key decisions within specified deadlines. One remedy under consideration: Establishing joint budget committee for both houses, which now have their own panels, and adopting two-year budget cycle to ease pressure of having to develop budget every year.

▶ TAX REFORM HORNET'S NEST keeps buzzing anyway, as groups attack different proposals. Realtors say reducing mortgage interest tax exemption would cause value of a median-priced home to drop 6-12 percent. They quote Data Resources, Inc., study showing that Bradley-Gephardt, Kemp-Kasten and Treasury plans would each "have a negative impact on home ownership in this country."

▶ COMPANIES ARE SENDING broader representation of managers to "Washington Now" seminars, where they learn how various branches of federal government make decisions that affect business. Seminars, conducted by U.S. Chamber of Commerce, used to draw chief executives and government-relations personnel,

WASHINGTON LETTER

primarily. Lately, however, companies have been sending plant managers, industrial relations directors and others to sessions on theory all could profit from close look at government workings that have impact on private sector. Information on the seminars is available from Debbie Murphy, Corporate Executive Development Programs, U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062.

▶ WATCH FOR COMPROMISE on any formal administration proposal to scrap Small Business Administration. While SBA's major lending programs may be rolled back substantially, the agency as such will probably survive. Although majority of small businesses have no contact with SBA, lawmakers might fear that abolishing it would be interpreted as symbolic vote against small business, whose political importance is widely respected on Capitol Hill.

▶ WHAT'S OUTLOOK FOR BUSINESS GENERALLY in new Congress? A difficult year looms. "I foresee a tough Congress in which to get anything passed," says Albert D. Bourland, U.S. Chamber of Commerce vice president for congressional relations. Coming struggle for control of Senate in 1986 and continued Democratic majority in House will produce "a lot of posturing and little action," Bourland says. Budget, Superfund reauthorization, product liability, agriculture, civil rights and immigration issues will take so much time that tax reform won't make it this year, he says. "Doesn't boil down to much progress for business," he concludes.

▶ SMALL PRODUCTIVITY GAINS in 1985 foreseen in survey of 900 executives by Goodrich & Sherwood management consultants. Means productivity improvement will be a top priority for business again this year, says Andrew Sherwood, president. "A widespread belief on the part of employes that they are not being utilized anywhere near capacity" indicates size of challenge to management, Sherwood says.

▶ IT WILL BE CHEAPER TO BUILD NUCLEAR generating plants than coal-fired units by the 1990s, says Atomic Industrial Forum study. Study assumes present excess generating capacity of 34 percent will decline by late 1980s to the 20-25 percent minimum needed for system reliability. (Two years ago, it was 41 percent.)

▶ CONSTRUCTION STILL STRONG in 1985 after two good years. Associated General Contractors sees 22 percent increase in volume this year, following 33.4 percent increase last year and 13 percent rise in 1983. Construction machinery is a different story. Manufacturers report 1984 exports measly 7 percent ahead of depressed 1983 levels, while imports were up 134 percent.

▶ DEREGULATION REMAINS A GOAL of Reagan administration, says Douglas H. Ginsburg, budget office regulatory chief. He says administration will not push generic regulatory reform bill this year, but will work to "eliminate every silly requirement" from the major environmental statutes, all of which are up for reauthorization. Other goals are deregulation of oil pipeline industry, further paper work reduction, elimination of contradictions between statutes. After budget fight is over this year, Ginsburg says, "there will be fewer federal agencies, I hope."

▶ JOB INJURIES STILL DROPPING. New Labor Department report for the last decade shows number of job-related injuries and illnesses continuing downward trend. Rate went from 11 per 100 full-time workers in 1973 to 9.1 in 1975, rose briefly to 9.5 in 1979 and since then has declined every year to 7.6 in 1983, last year for which results have been tabulated.

"This is the business that turned our **dreams into reality**"

A true story by Wilton Hildenbrand

I never made "real money" until I quit working for someone else and started my own Duraclean business

"When I was with the New York City Fire Department—with a wife, and three children to raise—I felt I spent most of my time putting out financial fires at home! It occurred to me that I could never achieve the financial security and independence we craved working for someone else. The obvious answer—start a business of our own. But what? Sure, we had been able to

put a little money aside, but nowhere near what it takes to start most businesses. I looked for something I could get into with a small amount of borrowed money.

So Easy to Get Started

"Marge, my wife, discovered the perfect answer. She had run across a Duraclean story—a message much like this one—and we looked into it. Well, believe me, when we saw the superior Duraclean service demonstrated and found out what a low investment it took, we were sold.

"With a fireman's schedule, I was able to start out in my spare time. (I didn't want to burn all my bridges behind me.) Marge and I mailed out company provided mailings describing our service and soon the phone began to ring. She made the appointments. I rendered the service. When we discovered how much money there was to be made in a Duraclean dealership, I took early retirement from the fire department. Before long, I had to hire part-time servicemen. Soon, profits paid for our first van. Now most of the work is done by our four servicemen. Marge schedules the jobs, sends out mailings and does the bookkeeping. I do the job estimating, special spotting jobs and contact new prospects."

Now at this point you're probably asking yourself, what is this Duraclean business Wilt Hildenbrand keeps raving about? Well quite simply, it's a unique, superior system for cleaning upholstered furniture, rugs and carpets (don't confuse it with "steam cleaning" or ordinary shampooing methods). It not only cleans but restores and revives colors. It does not wear down the fiber or drive the dirt into the base of the rug as ordinary cleaning methods do. Instead it *lifts out* dirt by means of an absorbent dry foam.

Today the Hildenbrands provide cleaning for banks, country clubs, churches, offices, hotels, motels, funeral parlors, theaters and homes.

Carpet and furniture stores gladly recommend Duraclean to customers. It helps them close sales. 45% of the Hildenbrand's business is from customers' referrals and repeat orders.

Low Cost Investment

Would you like to have the freedom and independence enjoyed by the Hildenbrands? You can. Let us send you the facts. Mail the coupon, and you'll receive all the details, absolutely without obligation. No salesman will ever call on you. When you receive our illustrated booklet, you'll learn how we guide you STEP BY STEP to get customers; and how to convince your customers to recommend additional customers.

You can choose from three dealership options. One starts as low as $3,900 down. Full cash investments range from $9,800 to $19,800. Financing is available for those who qualify.

Send for FREE booklet

Send in the coupon today. With no obligation, we'll mail you a 32-page booklet explaining the business. Then you, and you alone, in the privacy of your own home can decide. Don't delay. Mail the coupon now.

Learn the facts before you decide. Mail coupon NOW.

Duraclean International

The first step—send for FREE Booklet today!

Duraclean International
5-242 Duraclean Building, Deerfield, IL 60015

Without obligation send free booklet that tells how I can have a Duraclean business. No salesman will call.
(PLEASE PRINT)

Name __________
Address __________
City __________
State __________ Zip __________

Heading Off Crime Losses

Small businesses not only lose more to crime than larger firms but their losses can be devastating enough to force them to close down.

A 20-page Bank of America report, "Crime Prevention for Small Business," says the most widely hit and vulnerable sector of the small business community is retailing, which has to contend with shoplifters, con artists, bad check writers, robbers and dishonest employes by day—and burglars by night.

Making criminals pay: A security guard is one of several measures that can help small retailers cut down on losses.

The study gives owners tips on how to protect their stores with proper equipment, design of the premises and internal management policies and with controls that will deny criminals any opportunity to steal.

Owners should look at their shops' security weaknesses through a burglar's eyes. Any burglar will think again when he sees solid doors, secure locks, impact-resistant plastic windows, grilled or barred windows, bright lighting, a security guard on the grounds and a variety of alarm systems.

The more subtle, but costly, threat of fraudulent check passing—causing approximately 35 times greater losses for small retailers than for large stores—can be met by installing equipment that takes a picture of the check and the customer, having employes carefully scrutinize a check to make sure it was bank-issued, asking customers for identification or using a check verification service.

Some solutions for shoplifting: displaying merchandise in standard groups so salespeople will see at once if something is missing, placing turnstiles at entrances to direct customers through the cash register area on exit, locking display cases and giving cashiers unobstructed views of the aisles.

Employe theft, which accounts for the biggest loss by small business, should be headed off at the hiring stage, with comprehensive application forms and thorough reference checks.

Computer fraud may account for $300 million a year in losses to small businesses. They should restrict access to a few trusted employes, change passwords frequently and bond computer personnel.

Copies of the report are available for $3 outside California and $2 in the state from: Small Business Reporter, Bank of America, Department 3120, P.O. Box 3700, San Francisco, Calif. 94137.

Women's Business Hot Line

With a $25,000 grant from Citicorp/Citibank, the nonprofit American Woman's Economic Development Corporation is expanding its two toll-free business counseling services.

AWED, established in 1976, offers a hot line service, instituted for women who need quick advice from an expert. Each hot line session lasts up to 10 minutes and costs the caller $5.

The other service will match a woman entrepreneur with a specially selected expert who will call her at AWED's expense after she has filled out an information sheet about her needs and specified a convenient time for the call. These sessions last from 1 to 1½ hours; the counseling fee is $25.

AWED President Beatrice Fitzpatrick says the new grant "will aid us in meeting the growing demands from women for on-target business advice."

For further information: AWED, Lincoln Building, 60 E. 42d Street, New York, N.Y. 10165. Phone: (212) 692-9100.

Business Starter Kit

An entrepreneur at any stage of business growth may find some help in a two-volume Starter Kit from the accounting firm of Coopers & Lybrand.

Volume I, *The Performance Workbook: Planning and Startup Growth,* covers planning and managing the three major stages of business development—launch, growth and maturity.

Volume II, *Fact and Forms,* describes how to develop a business plan, compares the various legal options available to an entrepreneur when organizing a business and identifies the tax attributes of each. A comprehensive overview of the many federal tax forms a small business owner might encounter is also included, as well as a listing of other resource publications.

"Faith in yourself, exuberance and a good idea may open the door to seed money, but as your business develops, you'll need more specific, concrete information if you're to convince bankers of your credit-worthiness," says James F. Lafond, director of the emerging business services practice for Coopers & Lybrand. "That means business plans, reassessing your goals and strategy, managing your company's growth and its attendant production and cash demands."

Copies of the complimentary Starter Kit can be obtained by writing to: Howard Bailen, Coopers & Lybrand, 1251 Sixth Avenue, New York, N.Y. 10020.

The Fed Is Listening

The Federal Reserve Board is allowing the 12 Federal Reserve Banks under its jurisdiction to establish advisory councils so that the Fed can be directly apprised of the concerns of farmers and small business people, who then can learn about proposed Fed rules.

In addition, Fed chairman Paul Volcker has said that the Fed's Board of Governors "will meet with representatives of the councils annually in Washington."

"Small businesses and farmers have always been especially affected by the policies of the Federal Reserve," says Delegate Walter Fauntroy (D-D.C.), chairman of the House Banking Subcommittee on Domestic Monetary Policy. "The creation of these advisory councils will assure improved communication of concerns and views between these groups and the Fed." Fauntroy had written a letter to Volcker requesting the formation of the councils.

The Dollar-Deficit Connection

Decisions made in Washington over the next several months, economists say, could have a profound effect on the strength and duration of the 26-month-old expansion.

The spending and taxing policies Congress approves, and the monetary policies the Federal Reserve System pursues, may influence the future size of what last year was a record $105 billion international trade deficit and a near-record $174 billion federal budget deficit.

These deficits are growing. And, Wall Street says, they signal imbalances that pose an immediate threat to the economy.

Francis H.M. Kelly, research director at the New York-based investment firm of Oppenheimer & Co., says that spending cuts alone could, paradoxically, bring about bigger—not smaller—budget deficits. He says budget cutting must be accompanied by a falling dollar if the two deficits are to be reduced.

Heavy pre-Christmas price cuts—in the year's strongest selling season—were a sign, says one analyst, that retailing is "substantially overbuilt" and faces contraction.

Since 1980, the dollar's value has risen more than 40 percent against other major currencies, and U.S. manufacturers have been pinched as sales have been lost to foreign firms. If exports or sales at home do not rise as deficit spending is curbed, Kelly says, output could fall. He says this would mean lower tax revenues. And if higher taxes are relied upon to cut the deficit, Kelly says, that could produce a recession. "But to bring the dollar down," Kelly says, "the Fed has to reflate the money supply."

He explains why this is so: Expanding the money supply will bring interest rates down more, making the dollar less attractive for foreigners to own; domestic-made goods will then become more competitive at home and abroad, thus stimulating economic activity. A busier economy will produce more revenues for the tax collector and reduce the size of the budget deficit.

Strong Dollar, Low Interest Rates

Until recently, the combination of expansionary fiscal policies and tight money policies seemed to have worked. Now, says Gary Wenglowski, Goldman Sachs' economic research director, the trade deficits are so large that they substantially offset the stimulation provided by big budget deficits.

He and Rosanne Cahn, another economist at the New York-based investment bank, say that interest rates will continue to fall in the months ahead, especially if the dollar's value resists the downward pressure of declining interest rates. (Over the last six months, interest rates have fallen sharply, but the dollar has continued to strengthen.)

They say that indicators to watch as a signal of future interest rate movements include the size of the trade (current account) deficit; the economic growth rate; and the dollar's value. Bigger deficits, slower growth and a strong dollar, they say, will suggest that still lower interest rates are on the way.

Shakeout Among Retailers

E. Wayne Nordberg, research chief for Prescott Ball & Turben, Inc., a major Middle West brokerage, says inflation will not be a problem this year, even with a big increase in the money supply.

He says that falling prices, especially for gold and for oil and other basic commodities, "are indicators that deflationary forces are taking over."

Nordberg warns that manufacturers have difficult months ahead, until the value of the dollar begins to decline. Then, there will still be a lag of some months before prices change to reflect the adjusted currency valuations.

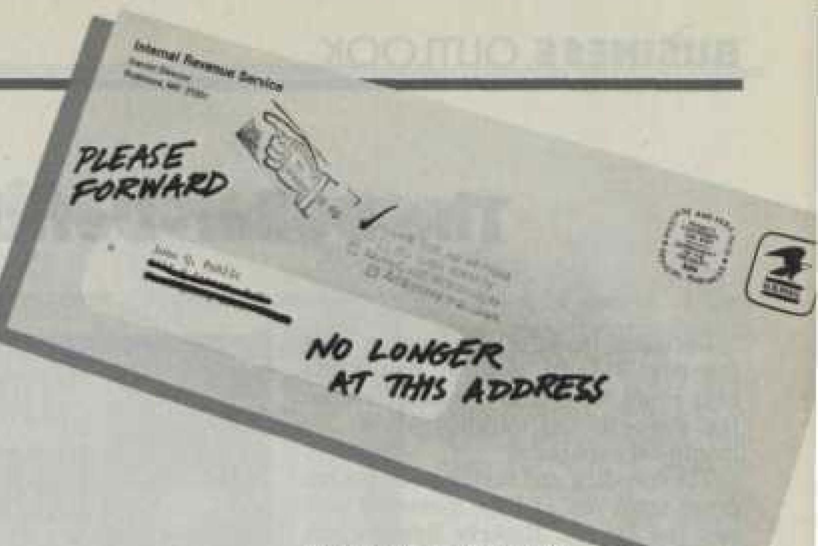
He says that involuntary liquidation of weak segments of the manufacturing sector will continue, and that the service sector—most notably, retailing—is "substantially overbuilt" and faces a shakeout in the months ahead.

One indication of overexpansion of retail services is the extent to which merchants resorted to pre-Christmas sales to move inventory in the middle of the biggest selling period.

Nordberg predicts that retailers' profit figures will show the results of those slashed prices.

Nordberg forecasts a "depression" in commercial real estate including office buildings in the years ahead. "Substantial overbuilding," he says, has been caused by the distortions of tax incentives. "Investors are putting up structures to shelter taxes rather than equipment or offices," he says.

A good way to correct the imbalances, Nordberg says, "would be to adopt the Treasury Department's tax reform proposals. "They are desirable," he says, "because they will bring back the economy to the free market and away from the distortions caused by the present tax code." NB



IRS May Be Looking for You

By Gerald W. Padwe, C.P.A.

Thanks to the mobility of our population, the last known address of a taxpayer is becoming important in more cases. Often, a taxpayer will put the Internal Revenue Service on notice that there is a new address, by correspondence, by filing a subsequent tax return or in some other way; but other parts of the agency will send notices to him at an old address without knowing it has changed.

The issue becomes critical when the IRS and a taxpayer cannot agree on issues in the audit of a return and the IRS mails a statutory notice of deficiency to an old address. For the Tax Court to obtain jurisdiction of such a case—and for the taxpayer, therefore, not to have to pay the asserted deficiency until litigation is concluded—the taxpayer's petition to the Tax Court must be filed within 90 days after the deficiency notice is mailed to the taxpayer.

There is a nightmare scenario arising from a taxpayer's move to a new address: A notice of deficiency is mailed to an old address and returned to the IRS undelivered; the taxpayer, unaware of the notice, fails to file a timely Tax Court petition; the IRS argues it mailed the notice to the last known address and insists the taxpayer's only remedy is to pay and sue for a refund.

However, in a recent case it was held that if the IRS computer has any record of a taxpayer's new address, the entire IRS has been effectively notified. Failure to send a statutory notice of deficiency to the new address may extend the period during which the taxpayer may file a Tax Court petition. In fact, subsequent assessment of the taxpayer may be invalidated by failure to send a proper notice of deficiency.

Prudence, however, still dictates giving official notification of a change in address to the IRS.

Tax Shelters

The IRS has not been shy about attacking tax shelters. Its current arsenal includes, among other things, registration, injunctions against promoters, prefiling letters to investors in certain shelters, increased penalties against promoters and participants in shelters, and more stringent rules as to association with shelter promotions by attorneys and accountants.

Two IRS procedures will have an immediate effect on the shelter investor's cash flow.

The first concerns withholding exemption (W4) forms filed by taxpayers who claim a large number of exemptions. Employers must submit these forms to the IRS so it can determine whether the claimed exemptions should be recognized for withholding purposes. IRS approval used to be routine. Now, though, when the IRS suspects that the number of exemptions has been increased because of a taxpayer's investment in shelters, the IRS will ask for very detailed information from the taxpayer. Often this information is in the hands of the shelter partnership or the promoter and is not readily available to the taxpayer. If the deductions cannot be substantiated to the satisfaction of the IRS, it will instruct the employer to withhold on the basis of a single exemption.

The second procedure, which is likely to have more far-reaching impact, will affect overpayment refunds. As a rule, the IRS makes these payments after a mathematical check, without considering the substantive claims generating the refund. Now that tax shelters must be registered and the registration numbers used in claiming deductions on a return, the IRS will delay making the refund if—through prefiling letters to investors or some other means—it has ruled that deductions claimed for those particular shelters will not be allowed.

This procedure is aimed primarily at those shelters, designed for middle-income taxpayers, where first-year benefits result in current or prior-year refunds—of which a substantial part goes to the promoter as a fee. The IRS expects that the lack of cash to pay the promoter fee will stop these shelters dead in their tracks.

Borrowing From Yourself

For a contribution to an Individual Retirement Account to qualify as a 1984 deduction, it must be made by next April 15.

Until this year, an individual could extend the time for making a contribution merely by requesting an extension to file his or her return. The 1984 tax act has, however, changed that: The contribution now must be made by the return's original due date even if the filing date is extended.

As April 15 approaches, some taxpayers without available funds may find it necessary to borrow to make a 1984 contribution. But before rushing out to the bank, consider the following technique, which can effectively create a 60-day extension of the deadline.

If you have an existing IRA, you may withdraw any amount, provided it is restored to the IRA within 60 days and withdrawals do not occur more than once every 12 months.

You could take \$2,000 from your IRA on April 14, use the money to make your 1984 IRA contribution by depositing it in the IRA on April 15, and restore the distribution by depositing \$2,000 within 60 days after April 14. Since this would be, technically, a distribution and not a loan, no interest would be payable on the \$2,000 for the time it was out of the IRA.

Caution: If a restoring contribution is not made within the 60-day limit, the distribution will be taxed as ordinary income. Furthermore, the government will impose a 10 percent penalty for the early withdrawal.

Obviously, this approach is not for everyone. But where short-term liquidity is the problem, a 60-day withdrawal may be the answer. NB

GERALD W. PADWE *is national director-tax practice for Touche Ross & Co.* For Your Tax File *is an information service for readers. See tax and legal advisers on specific cases.*

Nursing a Wounded Stock

By Ray Brady

ON A DAY they still recall in Wall Street as Black Tuesday, 1929, a speculator named Ben Smith rushed into his broker's office and cried: "Sell 'em all! They're not worth anything!"

The broker sold them all. In the months that followed, Smith saved millions of dollars as the stocks he had sold plummeted in value. He went down in the Street's history books as "Sell 'Em All" Ben Smith.

These days, a number of Wall Streeters are beginning to sound a bit like Ben Smith. They are not urging investors to sell all their stocks—many Wall Streeters are still remarkably bullish—but they are telling them to be careful about stocks that show signs of price weakness.

Once the price starts to fall, people like Eric T. Miller are saying, there may be just one remedy: Get out of the stock completely.


York Times.

STOCKS COLLAPSE IN 16,410,030-SHARE DAY, BUT RALLY AT CLOSE CHEERS BROKERS; BANKERS OPTIMISTIC, TO CONTINUE AID

"Sell 'Em All" Ben Smith avoided the Wall Street panic of 1929 by getting out when prices dropped. Many say it is good advice for holders of sick stocks.

But what about the advice that used to be given to customers—stay put, in the hope that the stock will come back, and go for a capital gain? After all, until such time as the tax laws are changed, the capital gains period remains a short six months.

Miller, chief investment officer at Donaldson Lufkin & Jenrette, points out that this is a different kind of stock market—one affected by a different kind of economy. "We're in the latter part of the economic recovery," Miller says, "and as the recovery matures, you don't find Wall Street as patient with a stock as it was when business was moving out of a recession and you could see that companies were going to be making more money."

And there are any number of stocks whose prices have been battered brutally when earnings dipped. Many technology stocks, for example, are down 50 percent or more from last year's highs.

Miller went back through the record books to see what happens to stocks when a bull market begins to get old. Looking at stocks that fell at least 15 percent over a one-week period, Miller found that many of them fell even more in the weeks that followed.

In a bit of work that would have had "Sell 'Em All" Ben applauding, Miller found that if a stock is in a free-fall, you are better off selling within three weeks after the fall begins. Two months later, in many cases, the stock had fallen even further, and for those who waited six months, the drop in price turned out to be even deeper.

MORE THAN WORRY about the future is behind the free-fall that is affecting so many stocks. The little guy is out of this market. The big investment firm of Salomon Brothers estimates that small investors sold $123.9 billion more in stocks than they bought last year. That is up from $39.4 billion in 1983, and is, in fact, a record high for liquidation of stocks by the little guy.

All of which means only the big guys are left—the mutual funds, pension funds, banks and similar giant investors—the people whose jobs depend on what kind of record they make for investing in the stock market.

"And institutions," says Eric Miller, "have a low patience level. When a stock begins to drop, they get right out of it—and that's that. They stay out of it. Once their psychology is shaken about a stock, they don't buy it again, and that stock does not come back."

Not all Wall Streeters agree that once stocks drop, they don't come back. Robert Stovall, director of portfolio strategy at Dean Witter Reynolds, says that some stocks, such as Zondervan (down more than 50 percent) and Novo Industries (off almost 70 percent) could show signs of life again.

His advice: "If you want to buy some of Wall Street's fallen angels, make sure they have a fairly good book value and the price-earnings ratio is low. Then buy a package of them—and you might end up with a few winners."

But if you buy some of those stocks, both Stovall and Miller say, it is going to take time for them to come back. After all, the institutions probably will not be buying them. So, admits Bob Stovall: "Buying into these stocks is like moving back into your house 10 minutes after the fire department has put out a big blaze. It's going to take time to get the plumbing fixed, the rooms painted—well, you get the idea."

What about all those stocks—some of them famous—that got beaten down and then came back from the dead? Perhaps the most famous case in our time is Chrysler Corporation. In early 1982, a brave investor could have picked it up for around $5 a share. Recently, Chrysler was selling at more than $30 a share.

Miller admits you could have made money buying Chrysler when it was down. "But," he asks, "how far is down? Take Baldwin-United. When it first ran into trouble, the company was selling for around $50 a share. A lot of people bought it on the way down—at $35 a share, feeling it would recover."

Now, long after its problems started, Baldwin-United is firmly mired at less than $1 a share.

Final point: By not fighting the market, estimates are that "Sell 'Em All" Ben Smith reaped $10 million a month in pre-inflation dollars, while the rest of the country was losing its shirt and entering the Great Depression. NB

RAY BRADY *is the business correspondent for CBS News.*

As beautiful as Rome.

Ponce de Leon Park, Coral Gables, Florida

As international as London.

The Biltmore, Coral Gables, Florida

Few cities in the world offer the remarkable combination of beauty and business opportunity that is Coral Gables, Florida.

Graceful Mediterranean architecture, cosmopolitan shopping, international restaurants, superb facilities for golf, tennis and sailing, and quality educational facilities such as the University of Miami are but a few of the reasons why nearly 100 multinationals—and many more U.S.-based corporations—call the "City Beautiful" home.

Choice office space, quality housing, the convenience of the new Metrorail and a 10-minute proximity to Miami International Airport make Coral Gables the ideal environment for the business-oriented individual in search of a richer, more satisfying quality of life.

For further information on the advantages of moving your business to Coral Gables and a free 12-minute videotape presentation entitled "Coral Gables: The Global City of the Future," contact Ken Smith, Assistant City Manager, P.O. Box 141549, Coral Gables, Florida 33114. Telephone (305) 442-6441. Or complete and return the attached coupon *today.*

Yes! I'd like more information on moving my business to Coral Gables, Florida.

Please also send me a free copy of your 12-minute videotape presentation, "Coral Gables: The Global City of the Future," available in ½" ____ or ¾" ____ videotape. (Indicate one.)

Name __________

Company __________

Address __________

City, State, Zip __________

Telephone __________

Please complete or attach your business card.

CORAL GABLES, FLORIDA

Tomorrow's Global City, Today

Mail to: P.O. Box 141549, Coral Gables, Florida 33114

The state unitary tax was repealed at a special session of the Florida Legislature in December of 1984.

Circle No. 52 on Reader Service Card.

Passing the Buck On Benefits

Employes would pay more taxes, under a Treasury plan, but employers would pay more, too. And eventually, society would bear the real cost.

By Harry Bacas

IT'S the most godawful thing they could do. If we didn't have the insurance, there would be a lot more welfare costs than they would ever raise in taxes."

Jerry Goodwin, president of Reese Coffee Houses, Inc., of Denver, thus comments on what is rapidly becoming one of the most controversial business issues of 1985—taxation of employe benefits. His views are widely shared not only by the business community, but by organized labor as well. (For the results of a NATION'S BUSINESS poll on the subject, see page 64.)

The most popular targets of those advocating the taxation are medical and life insurance, day care, and educational assistance. Employer payments for such purposes would be taxable income to the worker.

In addition, the Treasury Department's tax reform recommendations would eliminate favorable tax treatment for "cafeteria" plans that let employes tailor benefits to individual needs and for 401(k) savings plans designed to supplement pensions.

Taxation of employe benefits is being urged in the name of tax simplification, as a means of reducing the federal deficit or as a way to achieve both goals.

Proponents argue that the impact on employer costs would be minimal, because the added revenues would come almost entirely from the workers.

But business analysts do not see it that way. They view the proposals as potentially serious problems for owners and managers of business of all types and sizes. Analysts point out that:

1. Rather than pay higher taxes, workers would forgo health and pension coverage, a step that would eventually place a massive demand on government programs, require vast amounts of new tax revenues from business and business people, and, some believe, lead to a nationalized health system.

2. Workers who find their take-home pay reduced via taxation of their benefits would pressure employers, through unions or individually, for pay increases to offset the higher tax payments.

3. Companies' Social Security and unemployment compensation taxes would rise because, under the Treasury Department plan, employe benefits costs taxable to the worker would also be subject to payroll taxes paid by the employer.

The general reaction of business to such prospects echoes that of Jerry Goodwin, albeit in somewhat more technical terms.

PHOTO: JULIE HABEL—WEST LIGHT

Workers' take-home pay and employers' costs would both be affected by taxation of employe benefits.

Richard Schweiker, president of the American Council of Life Insurance and former Secretary of Health and Human Services, asserts: "As badly as the government needs to get its budget deficits under control, raising needed revenues by taxing employe benefits is the wrong approach."

Deterring workers from coverage would reduce benefits' availability, "but it would not do away with the needs that these benefits meet," Schweiker says.

He states: "Anyone who thinks the government would not have to pick up the pieces is only kidding himself. And anyone who thinks the government could do the job as cheaply as the private sector is *really* kidding himself."

Thomas E. Wood, a partner in Hewitt Associates, a national benefits consulting firm, says tax proposals already offered "would damage about every benefit you can mention." He adds: "The justification for not taxing employe benefits is that unless individuals insure themselves or private industry does it, it will not get done, and people will become welfare recipients in old age or because of undue medical expenses."

PRESSURE FOR taxing employe benefits—traditionally called fringe benefits, though their size today makes them far more than marginal—has come largely from the Treasury Department and various members of Congress. But support for the idea is by no means unanimous in government.

One of the chief opponents, in fact, occupies a crucial position in the decision-making process on tax legislation. He is Sen. Robert Packwood (R-Ore.), newly installed chairman of the Senate Finance Committee. He recognizes that the untaxed value of employer-paid health premiums is very tempting to Congress: "Think how much we could close the deficit" by taxing that money.

"But what's the tradeoff if you didn't have health insurance?" Packwood continues. "I think the tradeoff is that, by this time, we would have in this country the equivalent of the British-style National Health Service.

"And, in all likelihood, we would pay for it by a tax on employers. We would collect the money in Washington, and we would administer it as efficiently as we administer Medicaid and Medicare. And you'd have a worse health delivery system at an infinitely greater cost."

Addressing the overall concept of taxing employe benefits, Packwood recently asked a business audience at the U.S. Chamber of Commerce:

"Would you prefer a system where, if we're going to have day care and health care and life insurance and pensions, the employers make the contributions themselves and negotiate with employes [over the terms of coverage]? If you'd rather have that system, the biggest way to encourage it is the nontaxability of the value of the benefits."

"Or would you rather have a payroll tax of 13 or 14 percent that you pay to the United States Day Care Corporation, and they decide who gets the benefits and how many adult education supervisors with a Ph.D. you have to have for each day care center? And you'll simply pay the tax.

"I think those are the choices."

Packwood, who had headed the Commerce Committee since 1981, when the Republicans took control of the Senate, moved to the chairmanship of the tax-writing Finance Committee when Sen. Robert Dole of Kansas was elected Senate majority leader.

His opposition to taxation of employe benefits appears to stem from his basic philosophy that the tax system has the dual function of raising revenues and advancing social goals. Proposals to tax the benefits, he says, raise the question of "whether we're destroying incentives for some very worthwhile things in this country."

As Packwood points out, the deficit-reduction potential in taxing employe benefits is significant. Taxes on the benefits could bring in as much as $100 billion a year. The Treasury Department estimates it loses $56 billion because employer contributions to pensions are not considered taxable to the covered workers, and $20 billion because employer-paid premiums for employes' health insurance are tax-free.

Sen. Robert Packwood insists the tax system should be used to support important social goals.

Richard Schweiker: The government can't do the job as cheaply as private sector benefits do.

Overall, employers spend more than $600 billion a year on employe benefits, or an average of more than $7,000 per employe. (See the article on page 22.) The largest payments are for health and pension coverage. Other benefits are group life and disability income insurance, vacations, day care, paid holidays, education and retirement savings plans.

Among its proposals aimed at benefits, the Treasury Department would consider as

taxable income to the worker all employer-paid health insurance premiums above $70 a month for individual coverage and $175 for families.

Advocates of such taxation argue that it would stimulate much-needed containment of health costs by encouraging workers to seek less expensive care that would hold premiums down.

So why would a cap on the amount of those premiums that is tax-free lead, as the opponents contend, to a dismantling of the privately insured health system?

Experts on employe benefits explain that younger, healthier workers less concerned about medical coverage would quickly decide to take cash instead of health insurance. As they dropped out, the insurance plans would have higher proportions of older or less healthy workers whose medical expenses would drain diminished reserves. Premiums would go up rapidly, driving out even more young workers in a cycle that would eventually lead to an unworkable plan.

G. David Hurd, senior vice president of Bankers Life Company, of Des Moines, told a recent business meeting at the U.S. Chamber that it is a fallacy to think that workers who dropped out of benefit programs rather than pay taxes on employer-paid contributions would then "somehow cover themselves against the hazards of death, old age, disability and catastrophic medical expenses."

DONALD C. ALEXANDER, a former Internal Revenue commissioner now with the Washington law firm of Morgan, Lewis & Bockius, says that "without favorable tax treatment incentives for employe benefits, public expenditures for Social Security and Medicaid would grow significantly."

Alexander, a member of both the taxation and the employe benefits committees of the U.S. Chamber, told the House Ways and Means Committee in testimony on an earlier proposal to tax benefits: "America has a tremendous success story in its public-private partnership for economic security . . . The Chamber believes that the private sector works more efficiently than the public sector, and thus, programs aimed at economic security should rely on the private sector to the maximum feasible extent."

And Dallas Salisbury, president of the Employe Benefit Research Institute, says that, faced with a choice of cash or continued medical coverage at greater cost to themselves, "the people who can least afford to go without insurance are going to choose to put food on the table with that cash."

But, he adds, "these people are still going to get sick. And 5 or 10 years from now, there will be irresistible pressure on the government to go the route of European countries and establish a state health care system. And the per capita cost will be way up."

Critics of nationalized health systems like Great Britain's argue that they provide inferior medical care at high cost.

Salisbury says the $20 billion the Treasury Department contends is now being lost to the federal government annually because health insurance coverage is untaxed actually buys $86 billion worth of health coverage. The larger amount would have to be raised in direct taxes to provide medical care to those who gave up medical insurance because premiums were taxed, he adds.

PHOTO: DAVID WOODDELL

Philip Briggs: Advocates of taxation "don't understand what makes group insurance work."

Philip Briggs, executive vice president of the Metropolitan Life Insurance Company, says that advocates of taxing employe benefits "really don't understand what makes group insurance work. The reason it works and costs so little is that it covers everybody, regardless of health, age or other qualification."

By putting pressure on various categories of individuals to withdraw from plans, taxation of benefits would undermine the concept of universal coverage and wipe out the rationale for group coverage, Briggs explains.

While employer contributions for pensions represent a much larger potential source of new taxes than medical payments or life insurance, Con-

Are Private Benefit Plans Biased ?

Some of the pressure to reform or eliminate employer-sponsored benefits has come not just from a search for revenue to balance the budget but from a belief that private benefits are discriminatory. Dallas Salisbury debunks some discrimination "myths" with these facts collected by the Employe Benefit Research Institute, the nonpartisan public policy research organization he heads:

1. Do employer pensions benefit few retirees? Government data show 53 percent of retired married couples receive employer pension income, 33 percent of unmarried individuals do, and an additional 10 percent have received lump sum distributions. By 2007, based on recent pension coverage levels, the figures will be 82 percent of married couples and 58 percent of unmarried individuals.

2. Do pensions cover only half the work force? Of full-time workers over 25, 72 percent are covered. Among older groups, the level is nearly 85 percent.

3. Do only the wealthy get pensions? Three fourths of workers enrolled in pension plans in 1983 earned $25,000 a year or less. Of enrolled workers who had become vested, 70 percent were also in the category of $25,000 a year or less.

4. Do pensions discriminate against women? Coverage does not differ significantly between men and women who are full-time, full-year workers; 72 percent of the men and 66 percent of the women are covered. In 1982, women made up 42 percent of full-time workers and 40 percent of all those covered.

5. Do health benefits principally help the highly paid? Health insurance coverage, thanks to the tax law, is spread across the income spectrum. More than 80 percent of those with health insurance earned less than $25,000 in 1983.

6. Does the value of the tax incentive for employe benefits go mainly to the wealthy? Government studies show 75 percent of the tax value goes to those earning less than $50,000 per year.

7. Does the government get back nothing on the revenues lost by deferring tax on pensions? Over their lifetime, workers repay, through income taxes on pension distribution, 86 percent of the nominal value of the deferred tax on pensions.

PHOTO: PIERRE KOPP—WEST LIGHT

Welfare costs will soar if the benefit system is dismantled, warn alarmed business people.

PHOTO: KEVIN HORAN

Thomas Wood: Proposals to tax employe benefits ignore the reality that unless employers insure individuals, "it will not get done."

gress is likely to tread lightly in regard to retirement plans.

The principal reason for this caution is the importance of pension funds to capital investment: The $1 trillion in employer-sponsored pension plans was the source of one fifth of all new investment money in this country in 1983.

At the same time, Congress has assumed a major role in dictating how retirement plans should be structured and their benefits distributed.

"Legislative activity in this area [in the last two years] has been unprecedented," says Raymond L. Willis, chairman of the Association of Private Pension and Welfare Plans.

ALL THE ACTIVITY makes some pension experts believe that retirement plans may well be considered as sources of revenue when the various proposals for taxing benefits are taken up.

"Numerous types of employer pension plans will come under scrutiny," says EBRI's Salisbury. "Each must be carefully evaluated. And they must be judged against both social and economic criteria—the costs and the benefits. The favorable tax treatment allowed them may not be critical to the existence of pensions, but it is essential to the provision of pensions at all income levels."

If employer-sponsored pensions disappeared, he argues, "one could expect higher rates of elderly poverty, greater demands on social programs and heightened strife among generations."

While pension plan funds are not now the specific target of proposals to tax employe benefits, some pending bills would reach to capital-accumulation plans linked to retirement income. These plans, such as those set up under Section 401(k), enable workers to save pretax income as a supplement to Social Security and private pensions. Tax incentives for such plans would be repealed outright under the Treasury Department recommendations.

They would also require taxation at ordinary income rates of lump sums paid from employers' pension and profit sharing plans. Those payments are now taxed under 10-year averaging rules highly favorable to the taxpayer.

Under another recommendation, employer stock held by a pension or profit-sharing plan would be taxed at full value when distributed to an employe. At present, it is taxed—on a favorable capital gains basis—only when the employe sells the stock.

The cafeteria plans that also are targets of the Treasury tax reform strategy have become increasingly popular. They enable workers to design benefits packages for their individual circumstances and receive nontaxable reimbursement from employers.

Richard Perkins, president of Executive and Benefit Plans, Inc., of Atlanta, which administers benefit programs for 125 companies, is among benefits experts sharply critical of "those dummies in Washington who want to throw out cafeteria plans."

Such plans, he says, "are the wave of the future—for the first time, employers have been allowed to fix the cost of benefits, instead of fixing benefits and letting the costs find their own level. And they let the employe tailor his benefits around his own needs, whether he has a working wife, an ailing parent or whatever."

Harold Danker, a partner in Coopers & Lybrand, a major accounting and management consulting firm, questions the wisdom of the Treasury Department's proposal to repeal tax incentives for 401(k) plans while strengthening those for Individual Retirement Accounts.

HE ARGUES THAT the 401(k) approach "has provided greater protection for masses of people and is a more effective, efficient and more attractive vehicle for retirement savings" than IRAs.

The 401(k) is preferable to an IRA for retirement savings, its boosters say, because it is more flexible. They note that, with the 401(k), employers generally offer several investment options and allow employes to select among them quarterly, the ease of the payroll-deduction process leads more workers to save, and most employers match the worker's contribution.

David Hurd of Bankers Life sums up the business argument against taxation of employe benefits by declaring that present treatment of such benefits has enabled the private sector to build "an effective and efficient arrangement" to provide employes with economic security in the face of life's major hazards.

He says: "The arrangement should not be dismantled in the name of greater tax revenue. The needs are there and must be met—if not privately, then by government. And, if by government, the ultimate price would be greater."

To order reprints of this article, see page 65.

Benefit Growth: Back To the Days of Yore

By James R. Morris

EMPLOYERS are paying more than ever to provide a wide range of benefits for their employes. The average cost of such benefits per hourly employe in 1983 was $7,582, a U.S. Chamber of Commerce survey shows.

The 5.5 percent increase over the year before, against an average hourly wage increase of 4.8 percent, re-established a historic pattern of benefits' rising more rapidly than wages. The pattern was broken in 1982, when benefits rose 8.5 percent while earnings jumped 11 percent.

As they did the year before, benefits came to more than one third of payroll costs in 1983—the figure was 36.6 percent. A leveling off in the growth of employe benefits as a percentage of payroll began eight years ago.

The U.S. Chamber has been conducting such surveys for more than three decades. They cover hourly employment in virtually all of the private sector—agriculture is the principal exception—and a small segment of the public sector. There were 1,454 responses to the latest survey, mostly from medium-sized or large companies.

For all employes in the country—salaried as well as hourly-rated and in all industries plus the federal, state and local governments—the total cost of employer-paid benefits in 1983 was $550 billion, the U.S. Chamber's survey research section estimates. That is up from $510 billion the year before.

Preliminary estimates are that the 1984 figure will be $595 billion and that benefits will cost employers about $645 billion this year.

There are two principal types of benefits in the hourly employe survey, adding up to an average of $145.81 a week per employe in 1983:

• Nonwage payments for insurance premiums, private pensions, Social Security taxes, unemployment and workers' compensation taxes, profit-sharing and similar benefits. Average per employe—$98.81 a week.

• Wages paid for time not worked, including vacations, holidays, sick leave and rest periods. Average per employe—$47 a week.

The most costly group of benefits, and the fastest growing, includes pensions, insurance and other agreed-upon payments, such as short-term disability and company-furnished meals. Employers paid an average of $54.10 weekly per hourly employe for these kinds of benefits in 1983, a 173 percent increase over 1973.

Next most costly, by group, are paid vacations, holidays, sick leave and time off for jury service and other reasons, which averaged $38.04 a week per employe, up 117 percent since 1973. If paid rest periods, lunch periods, and the like are included, the figure rises to $47.

JAMES R. MORRIS is director of the survey research section of the U.S. Chamber of Commerce.

Annual Benefits Costs, Per Employe, Of Employer-Paid Benefits

	1951	1961	1971	1981	1983	Percentage Increase 1951-1983
Legally required: FICA, unemployment compensation, workers' compensation and Railroad Retirement taxes	$119	$256	$522	$1,609	$1,859	1,462
Private pensions, insurance, employe meals furnished free, short- and long-term disability, etc.	$185	$398	$824	$2,260	$2,813	1,421
Paid rest periods, lunch periods, wash-up time, etc.	$64	$131	$280	$596	$466	628
Paid vacations, holidays, sick leave, jury service, etc.	$211	$382	$755	$1,779	$1,978	837
Profit-sharing payments, thrift plans, etc.	$65	$87	$163	$383	$466	617
Total	$644	$1,254	$2,544	$6,627	$7,582	1,077

Third most costly are legally required payments, including Social Security taxes, unemployment compensation taxes and workers' compensation taxes. Such benefits cost employers an average of $35.75 a week per employe in 1983, up 149 percent from 1973.

The five most costly individual benefits are insurance, Social Security, private pensions, paid vacations and paid holidays. Each cost an average of more than $10 a week per employe. Taken together, they amounted to more than 71 percent of total benefits.

Employer outlays for these benefits increased substantially between 1973 and 1983. Payments for insurance increased 219 percent, with much of the increase reflecting the growing costs of health care. Payments for private pensions increased 105 percent.

Employers paid for an average of 12.1 vacation days, 7.3 holidays and 3.3 days of sick leave per employe in 1983. If rest periods, lunch periods, time off for jury duty and other paid time not worked are added, employers paid for 29.5 nonworking days per employe.

Some firms spent far less than the average total of $145.81 a week for benefits, but others spent far more. Seventy companies say their cost per employe was less than $68 a week; 63 say theirs was $250 or more.

Benefits costs also varied widely among industries. Companies in the petroleum industry averaged $233.12 per week per employe, while textile products and apparel averaged $76.31. In the nonmanufacturing sector, average weekly benefits ranged from a high of $195.04 for public utilities to a low of $71.56 for department stores.

Some benefits were provided only by a fairly small proportion of employers—20 percent of respondents, for example, made profit-sharing payments. Their average weekly cost per employe: $20.70. Averaged for all employers, the cost amounted to $4.10 per employe.

No matter the variations, one thing is clear: Over the decades, the rise in the cost of employe benefits has been tremendous. Though hourly workers' benefits increased by 5.5 percent over 1982, their wages increased by only 4.8 percent. This slight difference is only a shadow of what it has been in the long term.

Between 1951 and 1983, such employes' wages went from an average of $3,437 to $20,704, a rise of 502 percent. But their benefits' cost to their employers went up more than twice as fast.

The rise, from $644 per employe in 1951 to the $7,582 of 1983, was 1,077 percent. NB

Employee Benefits 1983, a 36-page report, can be purchased for $17.50 a copy from Publications Fulfillment, U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062. For information call (301) 468-5128.

Weekly Employe Benefits, Per Employe

	1973	1983	Percentage Increase
Legally required: FICA, unemployment compensation, workers' compensation and Railroad Retirement taxes	$14.35	$35.75	149
Private pensions, insurance, employe meals furnished free, short- and long-term disability, etc.	$19.85	$54.10	173
Paid rest periods, lunch periods, wash-up time, etc.	$6.56	$8.96	37
Paid vacations, holidays, sick leave, jury service, etc.	$17.57	$38.04	117
Profit-sharing payments, thrift plans, etc.	$3.79	$8.96	136
Total benefit dollars	$62.12	$145.81	135
Average weekly earnings	$189.96	$398.15	110

Ten Fastest Growing Benefits

Ranked by Percentage Increase in Spending (1973-1983)

Benefit	Percentage Increase
Employe education expenditures	562
Thrift plans	332
Insurance (life, hospital, surgical, medical, etc.)	219
Workers' compensation	180
Paid sick leave	152
Old age, survivors, disability, and health insurance (FICA taxes)	148
Unemployment compensation taxes	141
Paid vacations	115
Payments for time not worked (jury duty, death in family, etc.)	114
Paid holidays	106

Too Much of a Good Thing

By Gabe Mirkin and Mona M. Shangold

Unless you get some rest when your body sends you such signals as sore muscles and joints and heaviness in the legs, you may find yourself sidelined by an injury.

IF YOU EXERCISE regularly, you know how great exercise can make you feel. But you may also know how bad you can feel if you get too much of this good thing.

John C., a bank vice president, found that jogging perked him up after a hard day. He would come home from the office, burdened by impending decisions. But then he would go out and jog, and by the time he was halfway through his run, he would not even remember what was bothering him.

Unfortunately, the euphoria lasted only 6 to 18 hours. The next day, he would again deal with the pressures of his job by jogging.

As his fitness improved, John found that it took more miles of running to make him feel good. He raised the ante, first to six miles a week, then 10, then 20. When he reached 30 miles a week, one of his knees started to hurt too much for him to run. Depressed and unable to work, he asked his doctor for tranquilizers.

After several weeks of this misery, his injury healed, he was able to resume jogging, and he felt good again.

If you are a regular exerciser and have ever been unable to work out because of an injury, you can empathize with John.

Exercise does make you feel good, although scientists are not sure why. Regardless of the cause of the euphoria, too much exercise can end it, by leading to an injury.

Your muscles are made up of thousands of stringy fibers. Each is a tiny engine with its own fuel supply in the form of stored muscle sugar called glycogen.

Every time you exercise, some muscle fibers are injured. Others use up their stored sugar. It takes at least 48 hours for muscle fibers to heal after vigorous exercise, and 10 hours to 10 days for them to replenish their sugar after prolonged exercise.

If you exercise strenuously two days in a row, only the uninjured fibers with replenished sugar will function properly the second day. The others will either lack fuel or still remain injured. Since your muscles must now do the same job with fewer fibers, greater stress is placed on the working fibers, and they are more likely to be torn.

Nearly 50 years ago, Dr. Hans Selye, a physician at McGill University in Montreal, demonstrated that if rats underwent stress and were then allowed to recover, they became stronger. But, if the rats suffered stress again before they recovered, they became weaker. The same symptoms that Selye found in rats appear in you when you exercise too much.

That is why nobody can exercise strenuously every day without injury. To protect yourself, set up an exercise program that alternates vigorous exercise days with days that are far less vigorous.

Another way to protect yourself is to "listen" to your body. The body will send you many signals when you are overdoing it.

TAKE THE CASE OF Fred D., the general manager of a radio station. He took up running with the same determination that led his station to first place ratings in the broadcast industry. He started by working out once a day. After three months, he entered races and did quite well. He started to run twice a day.

Six weeks later he developed a cold that hung on and on. Although he was tired all the time and his muscles hurt, he continued to run.

The lymph nodes in his neck, armpits and groin started to swell. He was so tired that he did not have the strength to get out of bed. His doctor ran many tests, including a bone marrow test, but was unable to find a cause for his symptoms.

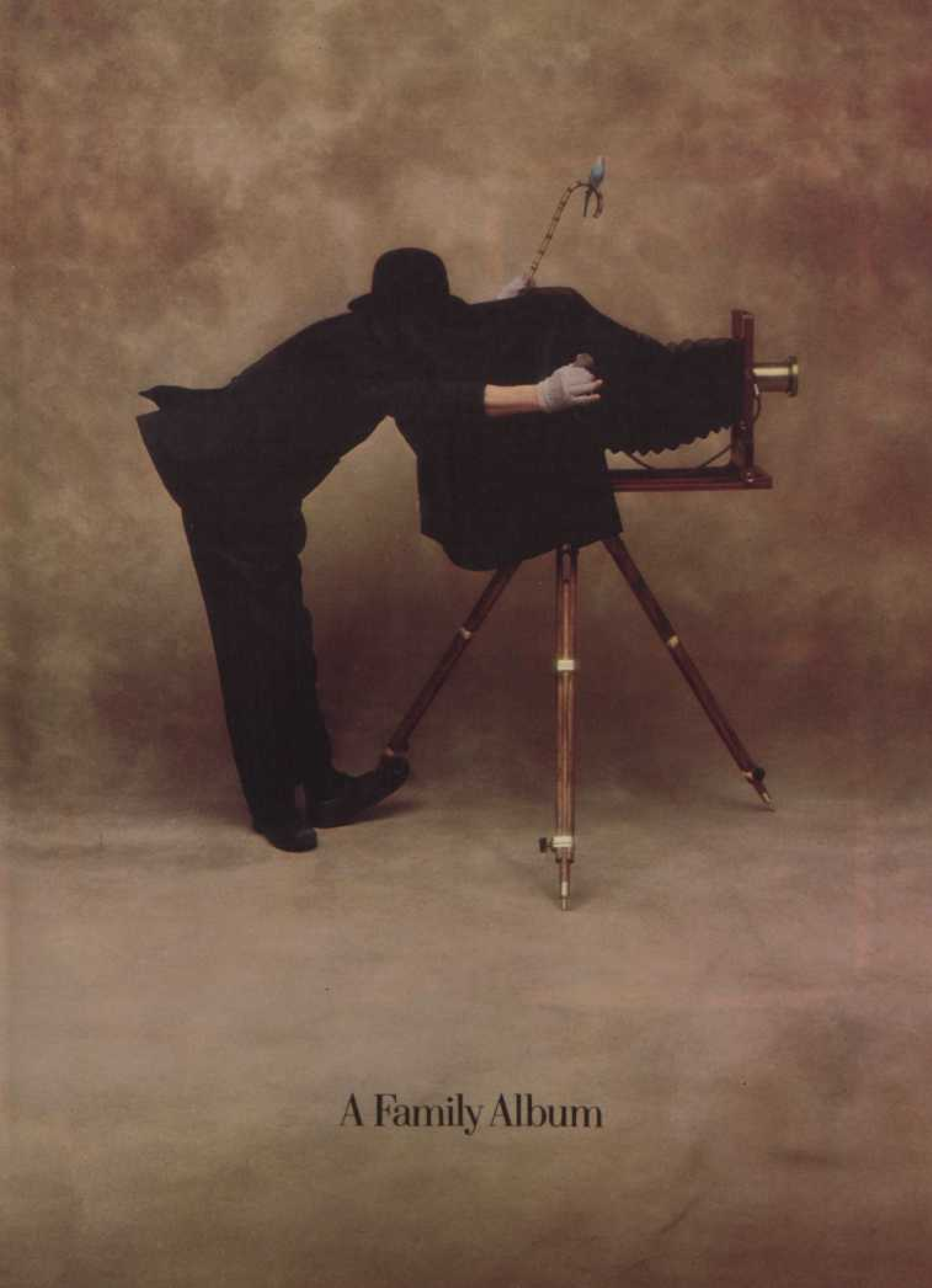
Fred rested, and three weeks later, all his symptoms disappeared. He resumed running—only this time, he took days off when he felt weak or tired.

Early symptoms of overexercise are soreness in your muscles and joints and a loss of interest in exercising. Later signals are heaviness in the legs; nervousness and depression; inability to relax; a drop in performance at work; headaches; loss of appetite or weight; swelling of lymph nodes in the neck, groin or armpits; constipation or diarrhea; and irregular menstrual periods.

If you have any of these warning signs, take a day or two off from your exercise program. If you do not stop when these signs occur, you are risking an injury or an infection.

But if you allow yourself a few days off, your body will feel fresh and ready to exercise again. NB

GABE MIRKIN, M.D., *and* MONA M. SHANGOLD, M.D., *are both associated with the Georgetown University School of Medicine in Washington.*



A Family Album

The IBM PC Family

The IBM Personal Computer
Founder of the family

Our growing family

These relatives not only bear a strong family resemblance, they share strong family traits. They're all hardworking, helpful, friendly, and have a good memory for facts and figures. All in all, quite a compatible group.

IBM Portable PC
Carrying on the family tradition

IBM Personal Computer AT
The most powerful IBM PC ever

The Right Investment Company

Successful firms have varying investment philosophies. One should work for you.

By Sharon Reier

Maurice Schoenwald would seem to be the ideal potential client for a stockbroker eager to give advice. He is an attorney, lives in a prestigious Florida area in winter. But he actually knows more than the brokers.

IF YOU ARE looking for a firm to help you invest your money, how do you make a choice among the multitudes? It is not easy, even for Maurice Schoenwald.

As an attorney listed in the telephone book of Florida's upscale Long Boat Key, where he lives in winter, Schoenwald receives about three cold calls a week from stockbrokers keen on snapping up his business. Says Schoenwald: "They ask: 'Have you heard of us?' I have a canned answer. I tell them that I know them quite well, but that I already have more brokers than I can shake a stick at, and they are wasting their time."

What Schoenwald does not tell them is that he not only has his own investments to care for, he also operates a small, three-year-old mutual fund called the New Alternatives Fund that specializes in alternative energy and conservation stocks. He needs precise information about start-up companies in energy technology and about large capitalization firms that are concentrating new efforts in areas like solar cells and energy-efficient engines.

Occasionally, Schoenwald finds himself discussing his fund's objectives with one of those eager phone callers. After all, most Wall Street firms and many regional brokerages provide first-rate research. "I tell them that if they find me a stock that fits, we may do some business," he says. "But when they call me back, they always want to sell me municipal bonds. They just expect lawyers to want munis."

It is unusual for an investor to be able to define his needs quite so specifically as Schoenwald can. However, with major Wall Street firms marketing to the masses as if they were selling tobacco, towels or toothpaste, investors must increasingly set their own course when navigating through stocks, bonds, municipals, convertibles, junk bonds, zero coupon bonds, commodities, options, tax shelters and insurance products.

Wall Street has been called "the financial supermarket." The Street is not particularly fond of the nomenclature.

Alan Altshuler, senior vice president of corporate development at Prudential Bache, says that "the idea of the one-stop shopping place for financial products is specious." In reality, he says, Prudential Bache and other major Wall Street firms offer "a broad range of financial products, with little expectation that a customer will come to us for all his needs."

But which firm should you pick, for which needs, out of some 4,000 investment companies, ranging from multithousand-employe wire houses to two-man money management firms drooling for your dollar?

Naturally, recommendations of friends and colleagues who have had investment successes will play a role. But even an investment adviser who wins a glowing seal of approval from a client may be unsuitable for another investor's need.

"The best way to approach a financial organization," says Louis Ehrenkrantz, head of research and a principal at the Wall Street firm of Reich & Company, is "to first realize what you want and then see if a particular firm can provide it. It is like ice cream. You have to know the flavor of the firm."

And there are enough flavors to put Howard Johnson's to shame. "You don't want to pay for vanilla when chocolate is what you like," Ehrenkrantz advises. "If you are geared to income and can't afford to lose a cent, then going to a high-powered research boutique on Wall Street means that you are clearly in the wrong place, even if their performance record is excellent."

EHRENKRANTZ notes that "an investment house can't be all things to all people. If a widow came to me and asked for absolute safety of principal, then I would tell her she should not give me her money." Customers should realize, he says, that "stock purchases are inherently risky. Capital appreciation means high risk. You come to me if you have a taste for that risk."

But at the Baltimore-based regional brokerage house of Legg Mason Wood Walker, Vice Chairman Jack Curley begs to differ. His firm, he says, sticks to "sensible, prudent, conservative investments." Says Curley: "We do not sell commodities at all, because we have seen that the typical investor in commodities eventually gets killed. And options are only 1½ percent of our business, whereas at some investment firms they are as much as 14 percent."

What Legg Mason has preached and has instilled in its brokers, he says, "is our philosophy of the value approach to investing." By the value approach, Curley means the traditional Benjamin Gra-

SHARON REIER *is executive editor of* Bottom Line/Personal, *a personal finance newsletter. She free-lances on financial subjects from New York.*

ham school of low price-earnings investment. "Over a period of time, stocks in the lowest quintile of price-earnings ratios outperform all others," Curley explains. "A study of the five quintiles over a 24-year period shows that $10,000 put in the highest P-E quintile in 1959 would have been worth $55,557 in 1983; in the second quintile the figure would have been $58,209, in the third $110,837, in the fourth $162,572 and in the last quintile $391,484."

By comparison, Curley points out, $10,000 put in the Dow Jones Industrial Average stocks would have risen only to $78,655 in the same period. Legg Mason's strategy is to pick stocks in the lowest quintile and then reconstitute that portfolio each year, sticking to the lowest quintile stocks.

The Legg Mason Value Stocks Fund bears out this method's success. It has been ranked the top performing equity mutual fund, out of 227 classified as capital appreciation, growth and small company growth funds from May, 1982, to September, 1984. In that time it racked up a 110 percent gain when dividends and price appreciation are compounded.

Still, Curley concedes that his philosophy is not for everyone, and that some investment companies with growth stock philosophies have done very well with them. "Most important to the investor," he concludes, "is to find someone at the firm he chooses who understands its philosophy and has the backup and research to follow through."

Investors in surprising numbers are not seeking counsel, but money management, from investment houses. And that does not mean through the medium of the mutual fund. Such investors are all too happy to pay a fee to a proven, successful money manager to avoid the day-to-day decision making investments can entail.

SAYS Roger Hertog, executive vice president of New York's Sanford Bernstein & Company, which has been managing money for institutions and wealthy individuals for 17 years: "Most people don't have the time, the inclination, the information and the emotional tolerance to handle investing. People become emotionally involved in their own affairs and become intransigent. We find that many investors buy well but can't sell—they can't take a loss."

Bernstein & Company may know when to take a loss, but for the most part it has compiled hefty gains. As one of the more impressive money managers among hundreds in the country, Bernstein can display a track record of 17 percent annually compounded over the past 10 years, compared with 10.2 percent for the Standard & Poor's 500. For five years, the figures are 26.1 percent and 17 percent.

The Bernstein philosophy again entails low price-earnings ratio stocks, but the perspective is somewhat different from Legg Mason's. Says Hertog: "We attempt to capitalize on distortions between current market price and the real value and long-term potential of a company. We believe these distortions occur because of investor psychology. Investors tend to overreact near-term, and the price of a stock falls in exaggerated fashion when there is bad news."

Because Bernstein is buying on bad news, Hertog explains, "a high degree of anxiety, uncertainty and tension is connected with the kind of stocks we buy. Many people are unwilling to live with it."

Bernstein does not accept clients with less than $200,000 to invest. And the management fee is 2 percent—although clients are permitted several alternatives on how they compensate the firm.

"There are three combinations," explains Hertog, where fees can range from ½ percent to 2 percent. The 2 percent fee gives clients a 60 percent reduction on transaction costs—buying and selling of shares. The 1 percent fee gives clients a 30 percent reduction on transaction costs. Those who pay the ½ percent fee, on the other hand, pay a regular transaction cost. The reasoning behind this is that management fees are tax-deductible, while transaction costs are not deductible as a current expense. "We are indifferent to a client's choice," notes Hertog. "It is merely a matter of which is more tax-efficient for his purpose."

Bernstein's modus operandi may be viewed as conservative when compared with that of First Wilshire Securities, located in Los Angeles. As money managers who have scored over 20 percent per year over the past five years, Noble Trenham and Fred Astman, the co-chairmen and founders, believe in hands-on investment. They hunt for low P-E stocks, but they also choose unconventional issues with hidden values that they believe will eventually emerge. However, if those values do not become apparent after a few years, Trenham and Astman may actively petition management to dispose of assets or otherwise improve the firm. Says Trenham: "We have been on airplanes 321 times in the last seven years visiting our managements."

In many cases, such activist investing pays off. First Wilshire has had investments in 62 takeover situations. "We

PHOTO: T. MICHAEL KEZA

Legg Mason Wood Walker's James Brinkley (left) and Vice Chairman Jack Curley. Curley says the firm takes a conservative approach to investing that has paid off, but is not for everyone.

are longtime patient folks," says Trenham, "but after a while we may try to make something happen. If we have a large position we are not going to sit around twiddling our thumbs." Trenham describes the typical investor with First Wilshire—which manages over $150 million—as an entrepreneurial type.

"He is a rich individual with his own company, his own way of doing things and probably two or three or four other sources of money managers," Trenham asserts.

It is not surprising that such rugged individualists invest with Trenham, for his personal style is as idiosyncratic as theirs. While in his 20s, Trenham circled the world, crisscrossing every continent in a large white truck with the word "entrepreneur" emblazoned on it. His trip was funded by a local California television station for which he later put together a travelogue.

First Wilshire charges clients a minimum $7,500 management fee per year, or 1 percent for sums from $1 million to $5 million, and ½ percent of anything above $5 million.

Obviously, in the volatile world of investments, the phrase "You get what you pay for," is not always true. While some money managers' records are remarkable, there are less consistent money managers who try for equally high fees.

"Why is a person willing to pay a money manager at times a percentage of profits?" asks Ehrenkrantz. "Why is he willing to pay a large compensation? Because the name of the game is performance, and he is fulfilling your goals."

ONE BIT OF GOOD news for those who want to control their own investment destiny is that prices for transactions have become increasingly negotiable. Though brokers refuse to go on the record admitting negotiated commissions for individuals, it is possible for substantial investors to negotiate a 40 percent discount with some large Wall Street firms, and up to 50 percent at regionals.

However, notes New Alternatives' Schoenwald: "Good execution may save the investor more money in some cases than commissions will." For instance, if an investor has 10,000 shares of a thinly traded issue, and a broker unloads it in one piece, the price may go below where the investor wants to sell. Preferably, the brokerage house should know enough to execute the trade in digestible pieces so that it will not upset the market price.

The last aspect of an investment firm that investors should investigate is quality of service. While some money managers prefer to talk to a client only once a quarter or once a year, most investors want their investment adviser or broker to be accessible. And they want investment information on a timely basis. At a few big Wall Street wirehouses noted for their excellent research, customers have been known to get the information so late that it is useless. Furthermore, for stock brokerage accounts, customers want good service—meaning few errors—and a comprehensive, understandable monthly statement.

Concludes Legg Mason's Curley: "Our research shows that most educated, affluent people want personal service by a skilled investment professional, one who shares the investor's vision."

To order reprints of this article, see page 65.

Overwhelm Your Favorite Driver

The perfect gift is more than a surprise; it hits the mark. If there's a driver on your list, you can give ESCORT or PASSPORT with absolute confidence. Here's why:

Head Of The Class

Car and Driver magazine rated ESCORT number one in its most recent test, calling it "**...clearly the leader in value, customer service and performance...**"

In fact, in the six years since its introduction, ESCORT has become the classic instrument of radar detection.

PASSPORT is brand new. For the person on the move, switching between cars or using rentals in distant cities, it provides ESCORT performance and features in a convenient miniaturized package. You can carry it in your pocket like, well, a passport.

The SMD (Surface Mounted Device) circuitry that made PASSPORT possible is simply light years ahead.

PASSPORT is only ¾" tall and 2¾" wide.

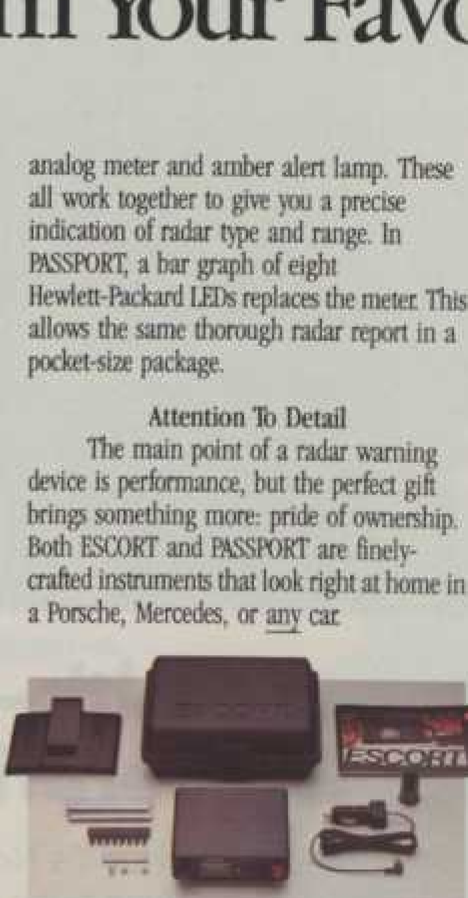
First Class Performance

When radar is out there, the superheterodyne circuitry in ESCORT and PASSPORT will find it: over hills, around curves, hidden in the bushes, anywhere. But that's just half the story.

Just as important is the unique way they give you a full, easily understood report on the radar they find. ESCORT has led the way with its variable pulse audio warning, analog meter and amber alert lamp. These all work together to give you a precise indication of radar type and range. In PASSPORT, a bar graph of eight Hewlett-Packard LEDs replaces the meter. This allows the same thorough radar report in a pocket-size package.

Attention To Detail

The main point of a radar warning device is performance, but the perfect gift brings something more: pride of ownership. Both ESCORT and PASSPORT are finely-crafted instruments that look right at home in a Porsche, Mercedes, or any car.



ESCORT and PASSPORT come complete with accessories.

Apart From The Crowd

While our system of factory-direct sales was not designed specifically for gift givers, it does offer some rather special benefits. For example, you needn't worry about buying a discontinued model still in a store's stock. Your gift will never be seen marked down in the discount chains. More importantly, giving either ESCORT or PASSPORT shows you were concerned enough about quality to track down the only source. And there's one more advantage.

Easy Shopping

ESCORT and PASSPORT let you do your Christmas shopping by phone and avoid the retail hassle. We're only a toll-free call and a parcel delivery away.

Most important of all, ESCORT and PASSPORT are guaranteed to please. Holidays or anytime, take the first thirty days as a trial. If you're not absolutely satisfied, return your purchase and we'll promptly refund your money and your mailing costs. We also back ESCORT and PASSPORT with a full one-year limited warranty.

Car and Driver called us the "class act" in radar detection. So order now, and let ESCORT or PASSPORT overwhelm your favorite driver.

Order Today

TOLL FREE 800-543-1608
IN OHIO 800-582-2696
(Phone M-F 8-8, Sat 9-5:30 EST)

PASSPORT
RADAR·RECEIVER

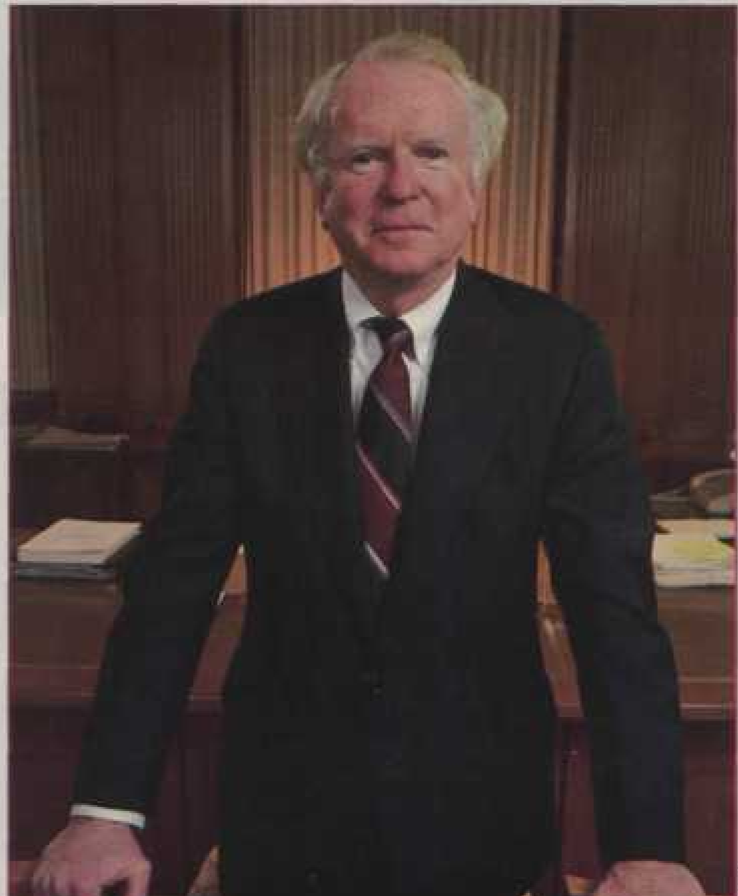
$295 ($16.23 tax in OH)
Pocket-Size Radar Protection

ESCORT
RADAR WARNING RECEIVER

$245 ($13.48 tax in OH)
The Classic of Radar Warning

Cincinnati Microwave
Department 100-092-F02
One Microwave Plaza
Cincinnati, Ohio 45296-0100

Circle No. 33 on Reader Service Card.



Roger Smith—GM's Big Surprise

The No. 1 man at the world's No. 1 automaker is anything but a business-as-usual chairman.

By Don Kubit

POSED IN THE harsh crossfire of a photographer's lights, General Motors Chairman and Chief Executive Officer Roger B. Smith submits to yet another public performance.

Occasionally he sneaks a somewhat wary glance at the reporter's tape recorder, but for most of the interview, he seems as relaxed as if he had just waded into a northern Michigan trout stream and was, favorite fly rod in hand, pursuing one of his private passions.

It takes a lull in the questioning for the head of the country's largest manufacturing firm—the world's leading automaker and a combined $75 billion-in-sales industrial empire—to expose, briefly, his fundamental corporate character.

A toy GMC truck is parked at the front of his immaculately organized desk, and Smith reaches over and rakes his index finger through its bed of paper clips as deliberately as some backroom "bean counter" taking an inventory of GM office supplies. Old habits are hard to break.

In this age of fast-track executives, Roger Smith, 59, is an anomaly. His 36-year climb up the corporate ladder to become GM's 10th CEO was decidedly unflamboyant. Roger Smith got where he is today the old-fashioned way—he earned it.

Smith—who claims he never once asked for a raise or a promotion and was "mostly surprised" when either came along—always expected to pay his dues.

"One of the given characteristics of a large company is that, when you start out, you're just another runner in the pack," he reminisces in his 14th floor office at GM headquarters in Detroit. "You've got to show somebody that you can do something better than someone else. From the beginning, I had relatively routine assignments. It took me nine years to get off the mark.

"When I first walked in the door downstairs, I certainly didn't holler, 'Look out, here I come.' No, I don't think anybody up here then was too worried about that ever happening."

In fact, when he was named to the top spot in January, 1981, this graying redhead of average height, with the most common surname in the phone book, was not expected to do anything unusual. His company bio summarizes two decades of GM service—from his initial hiring as a general accounting clerk in 1949 to his appointment as treasurer in 1970—as "a series of promotions."

However, in the four years since he became CEO, he has not only distinguished himself as the man most responsible for turning around GM's immediate fortunes, but his management style and acumen have been widely credited with securing GM's future.

As might be expected for an avowed "numbers cruncher," Smith's GM numbers speak loudest for him.

In 1980, the year before Smith took over, GM was in the red for the first time in more than half a century, with record losses of $762.5 million.

In 1981, Smith's in-house cost-cutting measures, including the closing of inefficient plants and the sale of the company's New York City office building, resulted in a $333.4 million profit—a one-year turnaround of more than a billion dollars.

In 1982, further consolidation and modernization of GM facilities, layoffs and wage concessions from unionized employes, along with improved auto sales, sent GM's profits for the year to $962.7 million.

In 1983, $3.8 billion in profits, on sales of 4.1 million cars, eclipsed half the company record (set in 1978) of $3.5 billion in profits on car sales of 5.3 million.

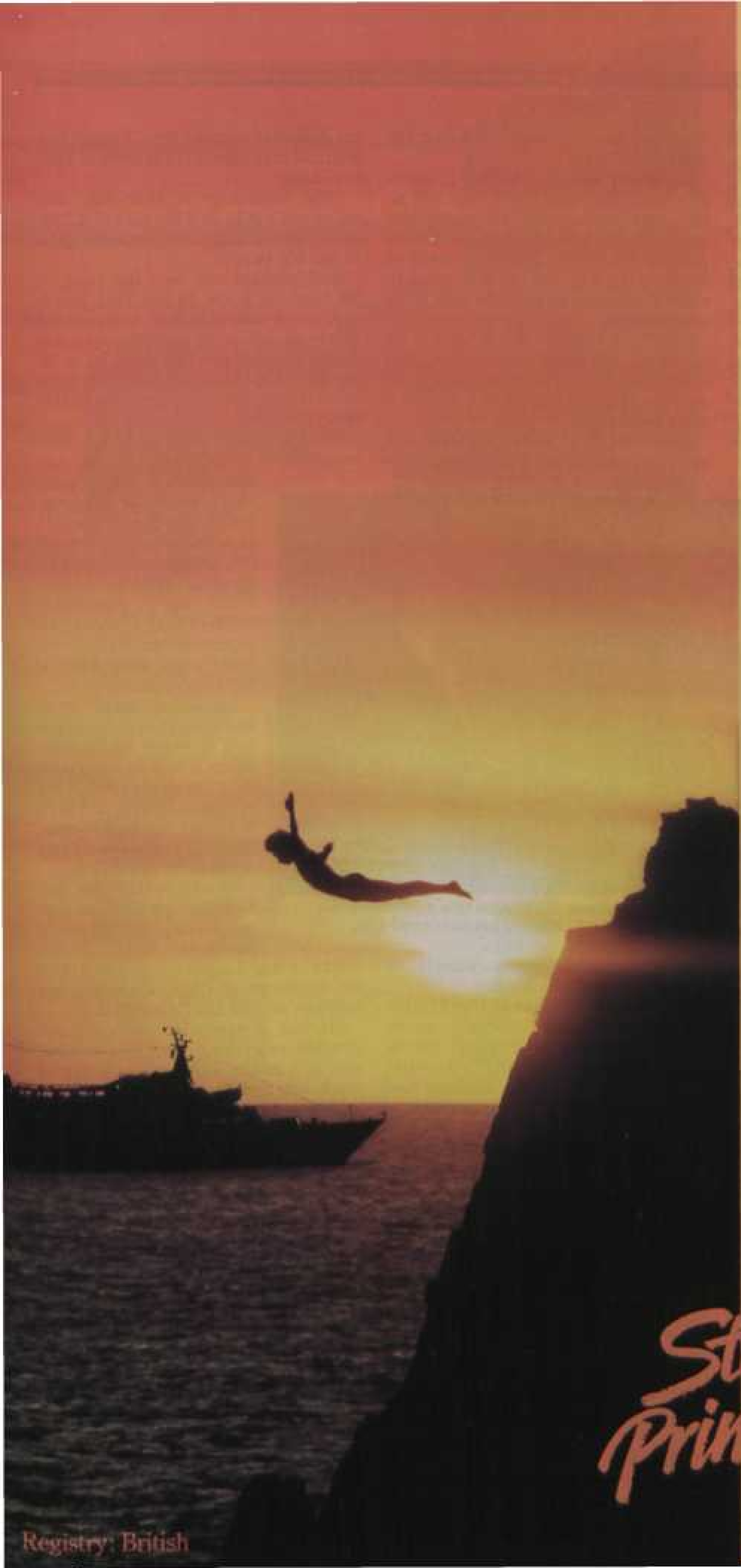
And in 1984? All the paper clips have not been counted yet. But despite selective United Auto Workers strikes in the United States and Canada (which analysts speculate cost GM about $200 million and some 50,000 lost car sales), profits are expected to be in the $4.7 billion to $5 billion range.

Smith attributes his success to skills and habits of thinking nurtured in his backroom days.

"Being part of the finance staff," he says, "you're a little bit back from all the gung-ho spirit you normally get in the other divisions, and you develop a more pragmatic attitude. I don't like the phrase 'cold and calculated.' But you realize that if you can't make a

---

DON KUBIT *is a Detroit freelance writer.*



Our cruises to the sun outshine them all.

Sail away to the golden Mexican Riviera or the palm-fringed Caribbean. Or cruise through the incredible Panama Canal on the spectacular Royal Princess. Sail away to the sun on a Princess Cruise.

On board your luxurious Princess ship, there'll be British officers to charm you. Italian waiters to pamper you. Lavish, Broadway-style shows to entertain you. And, succulent gourmet cuisine prepared for you by skillful master chefs.

Princess Jubilee. Save up to $1200.

In celebration of our 20th anniversary, we're pleased to offer a per couple savings of $800 to Mexico, $300 to the Caribbean, and up to $1200 on our Transcanal cruises this winter and spring.

For details and reservations, see your travel agent now. And step up to the cruise that outshines them all. A Princess Cruise.

MEXICO · CARIBBEAN · ALASKA
TRANSCANAL · MEDITERRANEAN

Step up to Princess Cruises

Circle No. 39 on Reader Service Card.

certain project go, you'd better quit it and move onto something else.

"Believe me, I've had my share of pet projects that just didn't fly. That's one of the problems I've always felt GM had in the past—we didn't quit early enough on some things. One of the major roles for a CEO is to manage change. Strategic planning is worthless without strategic management."

Traditionally, the word change has not been at the forefront of the working vocabulary at GM. And change certainly was not anticipated from someone who had a reputation as a toe-the-line company man. (One of the office jokes was that if Smith had been ordered by a superior to move the GM Building across the street in Detroit, his natural response would have been to ask, "Which way do you want it to face?")

Yet, profound as his impact has been on GM's current ledger, Smith's tradition-breaking innovations will likely be his most enduring legacy.

Last year, Smith won the board of directors' approval for the most radical reorganization of GM's automotive operations since the days of the legendary Alfred P. Sloan, who led the company from the 1920s to 1956. Smith simplified GM's five separate car divisions (Cadillac, Buick, Oldsmobile, Pontiac and Chevrolet) into just two groups—one responsible for development and production of small cars, the other focused on larger models.

Smith turned foreign rivals into partners. Joint ventures with Suzuki, Isuzu and Toyota have kept GM competitive in the subcompact market while it retools for its own frontal assault.

THE SMITH-SPONSORED Saturn program, whose goal is to manufacture, by 1987, a small car that gets 45 miles per gallon, moved well beyond the drawing board stage in January, when Smith announced that the cars will be made and sold by a new GM subsidiary.

Creating the Saturn Corporation will be as bold a step—if not bolder—than last year's reorganization. Not only will the cars be built by a new company, under a new nameplate—GM's first such addition since 1918, when Chevrolet came under the GM umbrella—but they will be built under a new labor contract with the United Auto Workers and sold by a new network of dealers. The first Saturn cars may be on the market by 1988.

Especially significant is the prospect of a new UAW agreement that will allow work rules much less rigid than those now in force in most GM plants. A sharp cut in the labor costs involved in producing GM cars could do much to make them more competitive with Japanese imports.

"We hope this car will be less labor intensive, less material intensive, less everything intensive than everything we have done before," Smith said at a news conference.

Under Smith's leadership, GM has moved to conquer not only new automotive worlds but new worlds outside the automotive business, as well.

Smith and Toyota Chairman Eiji Toyoda tour a jointly owned plant in Fremont, Calif., that will produce small cars.

Last June, GM acquired (for $2.5 billion) Electronic Data Systems—an information processing company that devises governmental and industrial computer programs and oversees and services GM's computer department.

EDS' annual growth rate is approximately 20 percent, leading forecasters to suggest that it will eventually provide a substantial profit cushion for GM. Within the decade, revenues from this nonautomotive venture could contribute 10 percent of company sales—double the current proportion.

Some computer industry analysts say that after the eventual shakedown in computers, only a half dozen big players will survive, including International Business Machines, American Telephone & Telegraph and either ITT or the GM-EDS consortium.

Smith's ruddy complexion becomes nearly scarlet as he talks enthusiastically about the EDS acquisition and other GM investments like its $8 billion plunge into robotics (a partnership with the Japanese robotics firm, Fanuc) and artificial intelligence (13 percent of Teknowledge).

"The technology is exploding, and we've just got to be a big part of it," he says. "In the long run, that's going to be our big sleeper."

And, perhaps, the next Big Bang in the business world. In late 1984, Smith announced that GM had accumulated nearly $8 billion in cash reserves. Industry guesses are that from 10 to 30 percent of that money will eventually be invested in nonautomotive industries.

Smith's management style has also broken with GM's traditions. He has streamlined GM's penchant for paper pushing, which saw Smith himself in a friendly rivalry with his predecessor as CEO, Thomas Murphy, when both were promising staffers in the finance department. At issue: who could claim first dibs on the copy machine.

Smith has opted for a hands-on, more participatory approach for his managers, which includes a total re-evaluation of responsibilities, increased authority for middle management and a speeded-up process for promotions.

If any particular job had the greatest impact on developing this management style, Smith thinks it was his two-year stint (1972-74) in charge of GM's nonautomotive holdings outside the United States.

"It was a worldwide operation and entailed everything from the production of a million valve lifters a day to marketing locomotives selling at half a million dollars a crack," he says.

"Since our automotive side was making good money, we never got into too much trouble or got much attention from others in the company. It was running my own thing—a pretty nice deal, being left alone."

The lure of being his own boss was probably instilled in Roger Smith years before his first GM job interview (from which he came away with a job and a $2 expired-meter parking ticket on the windshield of his 1949 Ford).

His father, E. Quimby Smith, was an entrepreneurial World War I veteran who returned to Columbus, Ohio, with French francs that he found worthless because no local bank could exchange foreign currency. The elder Smith set up such a service for a local bank, an entry into banking that eventually led

to a bank of his own. When the Depression wiped him out, the father (Roger was then 3) moved the family to northern Michigan and started a small company that specialized in copper tubing. Fueled by World War II defense contracts, the firm eventually became the $156 million Bundy Corporation.

Roger Smith, who now has no stake in that business, held a variety of part-time jobs at the main plant as a teenager, until his father fired him because he was not spending enough time on his schoolwork.

A brief stint in the Navy, an M.B.A. earned at the University of Michigan and a momentary flirtation with the aircraft industry preceded Smith's career at GM.

DESPITE THOMAS MURPHY'S warning about how tough it is to make a real mark on GM as chairman—"The man doesn't make the job; the job makes the man"—Smith seems to be sitting firmly in the driver's seat, with only a few bumps visible in the road ahead.

Labor relations remain something of a question mark, although a contract was signed last year with the UAW. Smith speaks optimistically of the pact. "Years from now," he told an audience of University of Wisconsin students, "people will look back and call it a historic agreement, unprecedented in labor relations history."

The contract's basic ingredient was a $1 billion, six-year job security program called JOBS—for Job Opportunity Bank Security—that, according to Smith and labor leaders, will address hourly employes' traditional fear that automation means unemployment.

"With the new agreement, if you've been employed at GM for a year, you'll always have a job or always get paid," Smith says. "It may not be the same job, but we'll train you for something better. If I was a welder and someone came along and said my job was being eliminated and I was going to be relocated and retrained, my reaction would be 'Whoopee!' "

So far the rank and file has hesitated to cheer so heartily. Many hourly workers recall Smith's hard-line stance during talks several years ago, a stance so uncommon for an automotive CEO that Douglas Fraser, then UAW president, quipped, "Maybe our first demand ought to be to put a zipper on Smith's lips."

Also, on the very day of the signing of a 1982 UAW-GM agreement that gained wage concessions from hundreds of thousands of blue collar employes, it was announced that some 6,000 managers would receive performance bonuses. In fairness to Smith, the apparent double standard was the fault of a longstanding company bylaw.

Other rough spots on GM's smooth road may arise from the final decision on a federal lawsuit over the brake performance of GM's 1980 X-cars and complaints by the first 1,000 GM employes transferred to the EDS payroll (the number will eventally be 10,000) who are unhappy with the reduction of benefits and perks that were always part of their GM contracts.

Nevertheless, Smith is optimistic that everything will be satisfactorily resolved, and he sounds almost ecstatic when he talks about GM's future.

PHOTO: ANDREW SACKS—BLACK STAR

Roger Smith has launched the Saturn program to make a highly fuel-efficient, GM-designed small car by 1988. This is a model. Smith promises a Jupiter program.

Forty-four percent of cars sold in this country and 9 percent of those sold abroad were GM products in 1984. Worldwide car sales in 1983 totaled 35 million, and Smith believes the figure will reach 50 million units sometime in the 1990s.

"Now, I'm not talking about a kind of phenomenal growth that will make us recession proof," Smith warns. "I don't even want phenomenal growth. I'm tired of the roller coaster.

"We will still operate cyclically, but maybe above the danger point. No more this," he says imitating with his hands a Six Flags amusement ride. "I just want us to do a nice, slow, steady climb up the mountain."

Outside the office as well as in it, Smith is not always predictable. For a while, he drove a red Pontiac Fiero to and from work, stopping at Detroit's open-air farmer's market to pick up vegetables. But he always wears a seat belt, even when he's being chauffeured to work.

The importance of family is immediately evident in his two-room office, where the entrance wall of the main suite is dominated by a huge picture of Smith, his wife of 30 years and their four children.

RELEGATED TO an adjoining "trophy room" are the plaques recognizing Smith's wide involvement in community and charitable organizations. "You've got to do more than sit down once a year and write out a check and say, 'I've done my part,' " Smith says. "We've got to pay our dues and support the community and show people we do understand and care. Personal involvement is the key."

Monthly weekend excursions to their northern Michigan cottage are inked, not penciled, into Smith's schedule. The lakeside retreat allows the family to share outdoors hobbies away from the pressures of Detroit. Smith also gets more time to drive his 1960 Corvette and 1923 Buick touring car.

As for his own future, this CEO, whose annual executive compensation was almost $1.5 million ($625,000 in salary and $866,000 in bonuses) last year, expects to stay at his post until GM's mandatory retirement age of 65.

"Well, I hope to stick around, anyway," Smith says, barely suppressing a chuckle. "I don't think they're going to throw me out the door just yet."

Trade Shows: Worth the Cost?

They can be a plus for your firm—if you separate the buyers from the tire-kickers.

By Allen Konopacki

OVER THE LAST decade, trade shows have mushroomed into a huge industry. Nine thousand industrial, scientific and medical shows zealously promote themselves as solid sources of information.

Bill Mee, managing director of the Trade Show Bureau, of New Canaan, Conn., a trade association sponsored by exhibitors, estimates that 250,000 companies exhibit every year. "More than 97,000 companies exhibit at the top 150 shows alone," he says, "and that number should increase to 145,000 by 1991."

At the Consumer Electronics Show in Chicago last June, 25,000 manufacturers showed their wares to 50,000 retailers, 100,000 salespeople and distributors and 5,000 to 10,000 press and foreign visitors. Besides filling cavernous McCormick Place and nearby facilities, many exhibitors showed their product lines under 35,000 square feet of tent awnings near the shore of Lake Michigan.

PHOTOS: EIA

The Consumer Electronics Show, which draws 25,000 manufacturers, exemplifies trade shows' growth.

The convention bureau of almost any city above 50,000 population, from Syracuse to St. Paul to San Diego, will tell you that important shows are scheduled every month.

Yet, though statistics abound in the trade show industry, few exhibitors or attendees can show measurable improvement in their bottom lines from the time and money spent at shows.

The meter is always running at a trade show. On the exhibitor's side, if an exhibit costs a relatively small $10,000, including the expenses of a sales representative, and the trade show has 21 selling hours (as is typical), the cost per minute is approximately $8. The cost for a five-minute interview with a potential buyer is about $40.

An attendee's costs for visiting exhibits only two days can easily reach $700 ($350 air fare, $200 for a hotel room, $150 or more for meals and other expenses). For two days at a show, six hours a day, the cost would be almost a dollar a minute—not counting the value of professional time that could be used elsewhere.

Hewlett-Packard Company estimates that its costs at the American Heart Association show at Anaheim, Calif., in 1983—including exhibit space and meals, transportation and salaries of more than 100 employes—were $10 per minute. "At that price," says Hewlett-Packard Marketing Manager Walter A. Skowron, "it's important to know how to separate the buyers from the tire-kickers."

Still, trade shows often turn out to be confusing and carnival-like events for both exhibitors and authentic prospects. Sales reps often waste time, energy and money giving the wrong message to the wrong visitors, while valid prospects are ignored.

Many companies put tremendous effort into drawing visitors to their booths—then are puzzled that sales do not follow. This happens primarily because the sales force has been conditioned to confuse activity with accomplishment. The large number of tire-kickers at most shows can easily consume most of the sales reps' time.

Another reason for limited results: Often, no accurate record is kept of the verbal commitments made by prospects. It is not enough to take names and addresses or retain business cards; these are not valid leads for sales contracts.

A knowledgeable exhibitor seeks only "power buyers," those booth visitors—generally less than 5 percent—who have the need, funds and authority to buy a product when the exhibitor wants them to.

Companies like Hewlett-Packard, 3M, Digital Equipment, Honeywell and American Telephone & Telegraph—and many very small companies, too—set specific selling objectives before their representatives meet the first visitor to their exhibits. They are not seduced by such rationales for funding a show as "building goodwill in the industry" and "educating visitors so they will continue to see our company as an industry leader."

Beth Marshall, marketing manager for the Becton Dickinson Vacutainer Systems division of Becton Dickinson & Company, says that the company's representatives have targeted for themselves the number of qualified prospects to be reached each day at medical shows. "The sales reps enthusiastically took control over their plans," she says. "Once they committed themselves to get precise results each day, they adjusted their sales behavior to match their goals."

A COMPANY SHOULD not leave each sales rep to his or her own devices. If they have not agreed to a game plan, salespeople often will sell only what is easiest to sell.

In selecting booth personnel, many companies are guided by economic fac-

ALLEN KONOPACKI, *an industrial psychologist, is president of Incomm International in Chicago, which counsels companies on how to increase profits through trade show participation.*

tors—choosing salespeople from the territory where the show is being held, rather than those best suited for the job. Of course, staffing the booth with qualified sales personnel from the area may be valuable, because they know more about companies in their area or already have good relations with a number of prospects through field sales calls. Further, most trade shows draw their primary audiences from within a radius of 200 miles (although this does not hold true for many of the top 150 shows). But saving money on travel expenses should never be the first consideration.

The sales message should be tailored to the distinctive needs of the trade show's audience. "Contact show managers well in advance of a show and have them send demographical data that profiles the task responsibilities of the people who attend their show," Skowron advises. You also should consider a survey of potential customers. This helps ensure that a company's message will be one they are interested in.

At the booth, sales reps must screen out unproductive contacts. A 30-minute field sales call must be condensed into five minutes, the average time a visitor spends in a booth. Like emergency room physicians, reps must attach high value to their time. Within minutes, they must diagnose the "corporate health" of a visitor, to determine if the visitor has a problem that should be cared for immediately. They should not dispense costly medicine—time, brochures, follow-up visits—to hypochondriacs disguised as tire-kickers.

Sales reps must probe for important answers, or their companies may suffer. Savvy reps can get financial questions answered efficiently, sometimes within 90 seconds. Well-trained reps never offend casual lookers, but their diagnostic skills are applied to the power buyers first. Others are invited to tour the booth or are handed a brochure.

Within the first three minutes, the rep should know whether he is talking to a buyer. He should have answers to these key questions about the prospect:

- What is the nature of his business?
- Does he have a need—not just an application—for the product?
- Does he have the authority and resources to make the purchase?
- Most important, when does he intend to buy?

Without a time commitment, the value of a lead drops 50 percent. The prospect who plans to buy sometime within the next 12 months is of little value to the exhibitor whose selling goals fall within the next six.

The rep should have a preprinted lead form that he can check off as he holds it in his hand. The compact size is important, since it allows the rep to hold the card casually at all times.

William F. Boone, a Honeywell marketing manager, says that, apart from the value of the information itself, there is this benefit to writing things down: "The person you're speaking to can see you are very interested in what he is saying."

The sales rep's style in the booth must differ from that in the field. An aggressive sales style at a trade show is not as offensive as it might be in other situations. The crowded environment, with its many demands on participants' time, conditions prospects for an assertive approach.

EXHIBIT SALESPEOPLE must be told that building traffic is not a prime goal. Typically, sales reps make presentations whenever an opportunity arises. This time-consuming tactic misses many decision makers. Many buyers refuse to wait through a generic presentation or demonstration, instead walking to a competitor's exhibit to see if they can get answers more quickly.

Sales reps must never greet visitors by saying "May I help you?" or asking other questions that are likely to receive "No, thanks" as an answer. Rather, they must learn to ask questions that demand a positive response, such as "Do you use this kind of tool?" and "What kind of equipment are you looking for?" Not only does this get customers talking, it helps qualify them as legitimate prospects.

What if you are not an exhibitor, but a buyer? How can you be a power buyer, and how can you find the power sellers who can meet your needs?

The next time you attend a show, take time over your morning cup of coffee to review the show guide. Then pick the 10 exhibitors' booths where you want to invest the most time. Once at an exhibit, know what questions you want answered. Have them ready on a pad.

Gain control. If a sales rep is not equipped to field pertinent questions, find out immediately who can.

Failing to set a game plan for attending a show can lead to dissatisfaction with the information you obtain, inability to find targeted jobs or services, discomfort (walking aisles can be tiring) and confused decision making.

A Harvard University study of shopping patterns found that productivity decreases significantly when people visit stores at peak hours. You should, therefore, visit "must see" exhibits during off-peak hours.

The better that exhibitors and attendees prepare, the more likely they will meet as power sellers and power buyers—to the profit of both.

Trade shows can be crowded, hectic and confusing. But they are great opportunities for firms prepared to identify valid prospects quickly and get a sales message across.

Where's The Best? Reach Out And Vote

What were 1984's best advertisements by businesses selling products or services to other businesses? You can answer that question by casting your vote in this magazine's second annual "Best Business Advertising Competition."

How do you cast a ballot? It's simple: Examine the nominations, which appear on the next five pages. Many will be highly familiar to you. Then mark your choices in both the television and print categories on the postage-paid reply card facing this page.

One more point about voting: Your card must be in no later than March 8.

Results will be announced in the April issue of NATION'S BUSINESS.

The purpose of the competition is not only to identify the most effective business-to-business ads, but also to explain *why* they were effective. So the article announcing the results will detail the strategies behind the winning ads. Their creators will chart their development from initial concept to implementation. Knowing how the best do it will help NATION'S BUSINESS readers evaluate their own advertising strategies and programs.

The 20 ads from which readers will choose winners in the broadcast and print categories were nominated by top creative executives of leading U.S. advertising agencies (see listing below). NATION'S BUSINESS readers are equally well qualified for their role in the competition. As the very people to whom business-to-business advertising is directed, they are in the best possible position to judge its effectiveness.

The fact that the winners of the NATION'S BUSINESS "Best Business Advertising" awards are chosen by the people targeted by the ads rather than some other judges makes this competition unique among those that recognize outstanding advertising.

Last year readers gave first place in the print advertising category to an International Business Machines Corporation entry headed, "How to test drive the IBM Personal Computer." It featured the Little Tramp character created by Charlie Chaplin and used extensively by IBM over the past 3½ years in marketing its personal computers.

The agency that created the campaign, Lord, Geller, Federico, Einstein, said use of the familiar "common man" character was designed to convey the message, "If he can do it, you can do it."

In the broadcast category, first place went to Federal Express' fast-talking man-on-the-telephone ad. Ally & Gargano, the agency for Federal Express, said the rapid-fire delivery was designed to convey the idea of speed and reliability. The theme of the greater efficiencies possible through use of the express service is spotlighted by an individual in the background who is trying frantically to cope with paper work and machinery, while the Federal Express user sits at a neat desk.

What ads will win this year? Time—and your votes—will tell.

Advertising Nominating Committee

JANE C. ARKUS
Vice President/Senior Creative Director
Marsteller, Inc.

NORMAN C. BERRY
Executive Vice President/Creative
Ogilvy & Mather International, Inc.

ARTHUR W. EINSTEIN, JR.
President/Creative Director
Lord, Geller, Federico, Einstein, Inc.

ROY GRACE
Chairman/Executive Creative Director
Doyle Dane Bernbach U.S.A.

NORMAN GREY
Vice President/Creative Director
BDA/BBDO, Inc.

MIKE HUGHES
Executive Vice President/Creative Director
The Martin Agency

HOWARD KARP
Art Director
Van Brunt Advertising

MARSHALL KARP
Executive Vice President/Creative Director
The Marschalk Company, Inc.

JOHN LITTLEWOOD
President/Executive Creative Director
N.W. Ayer, Inc.

CARLTON MALCOLM
Senior Vice President
Tucker Wayne & Company

WILLIAM D. MONAGHAN
Vice President/Creative Director
Schneider Parker Jakuc

FRAZIER PURDY
Executive Vice President/Executive Creative Director
Young & Rubicam, Inc.

EDWIN J. ROCHE
Executive Vice President/Creative Director
Marquardt & Roche, Inc.

JOHN N. SIDDAL
Chairman
Siddal, Matus & Coughter, Inc.

DON TURNER
Executive Vice President/Director of Creative Planning
AMS Advertising, Inc.

RAYMOND WERNER
Executive Vice President/Creative Director
Ketchum Advertising

1.

2.

3.

1. GENERAL MOTORS ELECTROMOTIVE
   The Martin Agency
2. CITICORP DINERS CLUB
   Doyle Dane Bernbach, Inc.
3. 3M FILE MANAGEMENT SYSTEMS
   Martin Williams Advertising, Inc.
4. CSX CORPORATION
   Tucker Wayne & Company

4.

5.

5. MCI MAIL
Wells, Rich, Greene, Inc.

6. MERRILL LYNCH
Wunderman, Ricotta & Kline, Inc.

7. AT&T INFORMATION SYSTEMS
Ogilvy & Mather

8. WESTINGHOUSE ELECTRIC CORPORATION
Ketchum Advertising

6.

7.

8.

9.

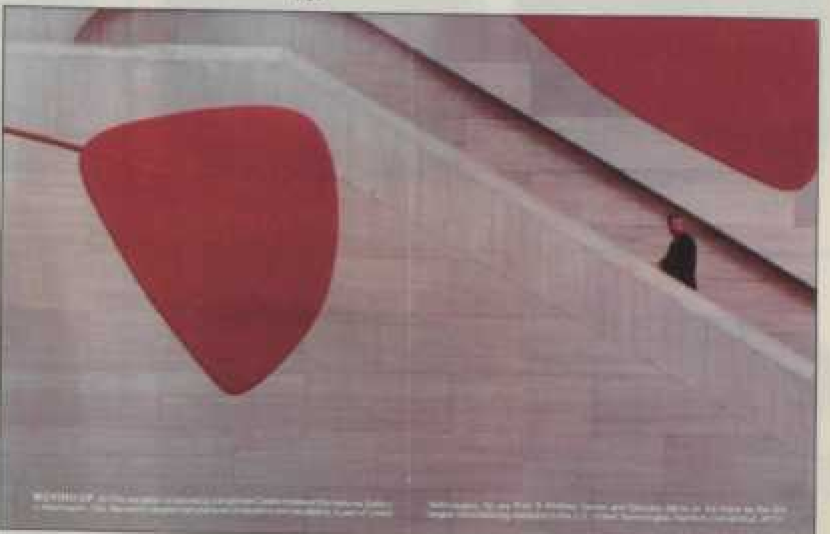
10.

9. DIGITAL EQUIPMENT CORPORATION
   Schneider Parker Jakuc

10. SANYO BUSINESS SYSTEMS CORPORATION
    AMS Advertising, Inc.

11. UNITED TECHNOLOGIES
    In-House

12. CIGNA CORPORATION
    Doyle Dane Bernbach, Inc.



11.

12.

Advertiser:
Apple Computers
1. **Agency:**
Chiat/Day, Inc.

ANNOUNCER: On January 24th, Apple Computers will introduce Macintosh. And you'll see why 1984 won't be like "1984."

Advertiser:
AT&T Communications
2. **Agency:**
N.W. Ayer, Inc.

CLIFF ROBERTSON: A lot of long distance companies would like you to think they're just like AT&T, but take a closer look and see how different they really are... Only one long distance company gives you full service. Only AT&T. Sometimes there's just no substitute for the real thing. *AT&T. The more you hear the better we sound.*

Advertiser:
IBM
3. **Agency:**
Lord, Geller, Federico, Einstein, Inc.

ANNOUNCER: In this rapidly changing world, even the brightest and best manager in the company may need more than a loyal staff to run a smooth operation... For rapid improvement, a manager could use a tool for modern times, the IBM Personal Computer... It can help a manager excel and become a big wheel in the company. The IBM Personal Computer.

Advertiser:
Federal Express
4. **Agency:**
Ally & Gargano, Inc.

ANNOUNCER: Ten years ago, Federal Express changed the way America did business. GUY: I need it tomorrow, or it's all over!!!... ANNOUNCER: Now we're going to do it again. GUY: Listen Bill, I'm in serious trouble, tomorrow's not soon enough. Bill, I need it today... ANNOUNCER: Introducing Zapmail. A copy of practically anything sent coast to coast in just two hours... Zapmail. It's absolutely, positively incredible.

Advertiser:
IBM Typewriters
5. **Agency:**
Doyle Dane Bernbach, Inc.

LYRIC: We're your type....For memos and manuscripts....Love letters, for labels and laundry lists....If words are the way you write....We're your type....IBM Typewriters....For hunts and pecks....For doctor's orders....For company checks....Police headquarters....For offices big....And business small....We're your type.

Advertiser:
W.R. Grace & Company
6. **Agency:**
The Marschalk Company, Inc.

ANNOUNCER: America. Land of Instant Gratification. The only trouble is American business wants profits....served up like instant pudding....We're W.R. Grace & Company. For 130 years, our growth has always been planned by people dedicated to the long-term point of view....if American business wants long-lasting results, then we should give our plans time to develop.

Advertiser:
Xerox
7. **Agency:**
Needham Harper Worldwide, Inc.

MAN: Xerox....never liked the word small. They much prefer growing. And Xerox thinks that a growing business should be treated just as well as a more established business....You see, they feel that somewhere in a little shop like this, they just might find the same kind of growing businessman that started right here....ANNOUNCER: The right information in the right place, at the right time. With the right team to make them all work together. From Xerox.

Advertiser:
AT&T Information Systems
8. **Agency:**
Ogilvy & Mather

ANNOUNCER: Look who's entered the personal computer game now. PLAYER A: Can I get in on this? PLAYER B: Go ahead. ANNOUNCER: Introducing the AT&T Personal Computer for business. It's fast and flexible. Runs most business software....In short, everything you need to put your business ahead of the game. PLAYER A: Your move. ANNOUNCER: The AT&T Personal Computer.

Franchisors: Have You Hugged Your Franchisee Today?

Lots of them do, every day, as companies search for new ways to make their owners happy—and profitable.

By Robert Justis

PARENT FRANCHISE companies—like any parents—want their franchise children to succeed.

Franchisees—like any growing children—want to be on their own, but they do not want to be abandoned by their franchisors. The heart of the franchise idea is independence within a proven format, being on your own but with a support system.

The franchise industry is developing innovations constantly to get support from the home office out to franchisees. Medicine Shoppe International, a pharmacy chain, offers free medical screening exams to encourage customers to come into franchises. U.S. Electronics Group is among several franchisors that will offer centralized accounting services. Others, like Merry Maids and Namco Tel-A-Systems, have incentive programs (Namco sends top franchisees to the Super Bowl).

A number of franchisors are creating networks among their franchisees so they can share solutions to common problems, and the sharp growth of networking is one of the major developments in franchising today. Help starts from the beginning and is what gives the franchise method its strength.

Bob Beard was working in the marketing department of United Technologies and casting about for a business of his own. Banks in Palm Beach, Fla., where he wanted to go into business, would not give him a business loan because he had no experience in retail. But, says Beard, "They would change their idea if I had franchise backing."

He decided on a franchise from Phone Source, Inc., in Omaha. Phone Source sells telephones to homes and businesses, installs lines and repairs phone equipment. It has been, Beard says, a success.

"I had no experience in retail or telephones. I had a good market, customers, enthusiasm, ambition and a little money. Phone Source helped with site location, store layout, inventory, market research. They saved me a lot of trial and error."

Paul and Evy Hatjistilianos held teaching jobs in the Boston public school system, but dreamt of financial independence and what Paul calls "the great potential of owning our own business."

ROBERT JUSTIS, *a professor of management, is executive director of the Franchise Studies Program at the College of Business Administration, the University of Nebraska-Lincoln.*

PHOTO: T. MICHAEL KEZA

Paul and Evy Hatjistilianos left teaching jobs to start a Merry Maids franchise; now they gross over $300,000 a year.

PHOTO: T. MICHAEL KEZA

William Van Loan says the franchise council of Headquarters Companies "is the voice of the franchisee to the parent."

PHOTO: RANDY HAMPTON

Don Everett, president of Runza Drive Inns, finds his franchise advisory council gives good advice about adding new menu items.

Evy's cousin, Dallen Peterson, was president of Omaha's Merry Maids, Inc., a professional home cleaning service with more than 200 franchises.

In a visit they made to his lakefront home in London, Minn., Peterson explained to the Hatjistilianoses the advantages, structure and operations of a franchise in Merry Maids.

Like the Phone Source, Merry Maids is a turnkey operation. It provides intensive training at headquarters, with emphasis on a business plan and on developing skills in marketing, management, accounting, purchasing equipment and supplies, and choosing territories.

In short, Merry Maids would provide the business format. What Paul and Evy would bring was the desire and the willpower to be a success.

They were not convinced at once, but a year and a half later, in 1982, Paul and Evy Hatjistilianos opened their first Merry Maids outlet in West Roxbury, Mass. They now have three and are grossing more than $300,000 a year.

But their connection with the main office has not been severed. Far from it. Merry Maids provides a whole range of services typical of the industry, from franchise advisory councils to marketing programs, equipment and product evaluations, regional and national meetings and seminars, centralized computer services, and award programs.

Many of these programs are managed through the franchise advisory councils, or FACs. For Paul Hatjistilianos, this is one of the most attractive parts of being a franchisee. It provides a link to the home office and among the individual franchisees.

"Most of our problems have an immediate solution," says Paul, "based upon Merry Maids' experience and the experiences of other owners."

FACs are founded for a number of reasons and are structured in as many different formats as there are franchise companies. They may have started at the initiative of the company or arisen from the unifying concerns of separate unit owners. They may meet at the expense of the corporation, or else be independently financed by membership dues.

They are a formalized way of coordinating the relationship between individual units and a franchise's corporate parent.

MERRY MAIDS appoints an FAC made up of coordinators of 10 geographic regions. Coordinators, says Paul Hatjistilianos, call regional meetings to offer marketing and service ideas. He has served as a regional coordinator and as president of an elected group in his region, the New England Association of Merry Maids Franchise Owners.

"The council works very well," says Evy Hatjistilianos. It is not just a one-way organization, but exists to answer questions by owners. "Sometimes we go through the regional representatives, and sometimes we use the direct 800 number" to headquarters, she says.

Merry Maids is expanding its services, says Paul Hatjistilianos. It now has a national newsletter and will be holding a conference this month for owners who average $5,000 a week or more in sales, to review and discuss business experiences with an eye to sharing those with all the franchise owners.

Franchisors can gain a great deal from the owner organizations, from reactions to new products and services, to practical advice on marketing targets.

San Francisco-based Headquarters Companies, a wholly-owned subsidiary of United Technologies, has what it calls the Headquarters Advisory Resource Council, with six elected officers.

Each of Headquarters' 64 franchises leases office space and shared office services to executives who do not need to maintain full offices for themselves. For professionals or regional managers of large companies, says William Van Loan, owner of three Headquarters franchises in the Boston area, the cen-

ters provide, in effect, a permanent office for an executive without the expense and trouble of maintaining separate secretaries, telephone services, word processing and duplicating machines, and storage space. They can also provide specialized services that would ordinarily be available only to very large offices, by sharing them among many customers.

Van Loan, a former vice president for marketing of Coca-Cola, serves as one of the six officers of the Headquarters council.

The main office, Van Loan says, provides the usual range of services to its franchisees, and a few more. One is a national sales force, which will visit large firms that may need office space for regional managers and will suggest an appropriate franchised Headquarters center.

In turn, Headquarters receives advice from its council.

"One of our roles," says Van Loan, "is to be the voice of the franchisee to the parent company. The other is to help the company in its planning. Communication goes both ways. We help them learn what is going on in the real world and coordinate plans among the franchisees." The result, says Van Loan, is that the company does not have planners planning "in an ivory tower."

FACs may provide a full range of services and programs to members or can be strictly limited in the scope of their concerns. Whatever the particulars of an FAC, it is clear they serve to enhance the franchise form of doing business.

MANY FRANCHISORS' FACs are established according to the framework suggested by the International Franchise Association, the industry's representative body in Washington. The franchise relationship, says Jim Trethewey, president of IFA, "is virtually like no other business arrangement, because the franchisor and franchisee literally need one another in order to compete successfully in the marketplace. With that in mind, the IFA has consistently worked towards providing its members with educational programs and seminars to assist franchisors in addressing the needs of franchisees." The IFA's "How To Organize a Franchisee Advisory Council," published in 1979, provides a step-by-step approach to creating and operating an FAC.

John Dean, president and CEO of First Interstate System, Inc., a wholly-owned franchise subsidiary of California's First Interstate Bancorp, says advisory councils usually form when a franchise operation reaches a "critical mass."

How big critical mass is may be a matter of some debate. Randy Strunk, president of Phone Source, asked Bob Beard to set up an FAC for the company, although it has only five units, with two more scheduled to open in a few months.

Runza Drive Inns of America, a sandwich shop franchisor in Lincoln, Nebr., started an FAC after opening its fifth unit. Among other agenda items, President Don Everett finds the council invaluable for developing, testing and adopting (or eliminating) menu items.

First Interstate plans to set up its FAC sometime this year. Although only eight bank franchise agreements have been signed, and six implemented, the combined franchise assets approach $4 billion. That means, Dean says, "We're franchising established, large, ongoing firms. This often involves negotiations between two large organizations. Historically, that's not typical of franchising," where the usual franchisee is a single entrepreneur.

Other franchise advisory councils exist, Dean says, to educate the franchisees, but he sees his council as a way to keep open communications regarding strategic directions, in terms of market segments and product development in financial services. It will give continual feedback about issues and concerns confronting his constituents.

The idea for the First Interstate Bancorp FAC originated at the central office. The group will meet three or four times a year, with council members initially being appointed and thereafter elected by the members.

Another franchisor in the early stages is Dave Hayes, owner and founder, with his wife, Stella, of Hayes Personnel Services of Colorado Springs, Colo. The first franchise unit of Hayes opened last month in Pueblo, Colo.

Hayes Personnel Services has been successful since the couple began it in 1980; it has grown to $4.5 million in gross sales from one office. It provides services in four areas—permanent and temporary hiring, executive recruiting and consulting and training.

New franchisees are chosen with care and begin operations in one of the four areas—usually permanent place-

What a Franchisor Must Offer

To those who can satisfy the basic franchise requirements of financial capability and demonstrated desire for success, the franchisor should offer certain opportunities and tools. The potential franchisee should check to make sure that the following items are offered by the franchisor:

1. A federally registered trademark, and a state registered trade name.

2. A reliable, affordable product or service.

3. The strength of a national network of independently owned and operated franchises adding strength to, and gaining support from, each other.

4. A complete training program for both the franchisee and the franchisee's staff. It must provide hands-on experience in every operation of the business.

5. A detailed and readable operations manual, which will guide the franchisee through startup and well into successful operations.

6. Support, with plenty of elbow-to-elbow involvement, for the franchisor and his staff on everything from site selection to decor, inventory and grand opening ads.

7. Managerial training, including regional and national meetings and seminars, and assistance in operations and accounting procedures.

8. Marketing, merchandising and advertising support—everything from selecting retail decor and display ideas to setting up co-op advertising assistance.

9. Monthly newsletters to keep the operators informed of the latest activities and trends affecting the business and industry, keep tabs on the competition and feature the successful efforts of different franchise operators.

10. Store or territorial expansion with possible development of a multi-store operation in your city or area of the country.

11. Unique exterior and interior designs that invite and draw customers into the franchise location.

12. A continuing program of new product development and testing.

13. Operational and managerial advice to the franchisee.

14. Purchasing benefits from the franchisor, who will assist in obtaining items, or buy products in volume and pass the advantages of such buying on to the franchisee.

—Robert Justis

ments, Hayes says—and then expand to the others as they gain experience.

Hayes expects his critical mass, the point at which he will begin his FAC, to be three franchises and the main office.

Richard de Camara, of de Camara Auto Service in Elmhurst, Ill., knows all about FACs. He used to be chief executive officer of Midas Muffler before retiring in 1982 and buying the first of his six Midas shops.

He says the Midas organization went through a "fairly typical syndrome" when dealers first joined together by themselves to represent their interests in a corporate restructuring in the early 1970s.

Midas started its own dealer advisory committee in 1972 and paid all its expenses for travel and meetings, until the membership decided to support the FAC entirely by membership dues. Midas now has an outstanding record of exceptional franchisee relations, says de Camara.

The Midas FAC recommends guidelines in computerizing the company network of 1,600 U.S. shops. It makes group health and liability insurance available and makes efforts to improve franchisee productivity with periodic incentive contests.

Another automotive service franchisor, 280-unit Precision Tune, of Beaumont, Tex., finds training programs to be a paramount FAC concern. "Because of the technological nature of our business," explains President Les Hatcher, "we need a consistent way to deliver educational services to franchisees."

Hatcher says Precision Tune's FAC has led the company to modify basic services, change the corporate training programs and improve communication and input from licensees through council channels.

Russell Frith, president of Lawn Doctor, describes his President's Advisory Council as "modeled after the U.S. Senate" and operated in accordance with IFA recommendations. Elected representatives from each of the company's 10 regions meet semiannually. During sessions, the group divides into five subcommittees to consider membership, advertising, image, service and equipment matters.

The nationwide ice cream chain, Bresler's 33 Flavors, headquartered in Chicago, also developed its FAC according to IFA standards, says Joe Marley, the company's vice president in charge of franchise development.

Bresler's 420 ice cream stores feature 33 different flavored specialty ice cream cones, hand-packed ice cream, yogurt and soda fountains that make ice cream specialty items to order.

Bresler's FAC considers matters such as advertising, new product introduction, training and technology and availability of store locations.

The FAC that Hayes Personnel Services sets up will also be primarily concerned with advertising and marketing, says Dave Hayes. The company will set aside 2 percent of franchisees' royalties in a special fund, and the FAC will decide how to use the money.

Valentino's Italian Restaurant, a franchisor in Lincoln, Nebr., calls its FAC an advertising council, since promotion and marketing is currently its major concern. As the chain expands, the council will assume functions such as training, financing and coordination of new construction.

Moto Photo, headquartered in Dayton, Ohio, is a one-hour photo processing franchise offering high quality rapid photo processing services on location. Started in 1981, the company has more than 140 franchises. It conducts extensive research to define its customers and make the results available and useful to franchisees.

The company provides awards for its top franchisees, including manager of the year, franchisee of the year and most creative promotion.

The main innovations channeled through FACs include expanded services to franchisees. Often, such services are recommended by council members, as they are on the front lines of the business. It is obvious that such councils are a primary ingredient for the franchising success recipe.

The Franchise Studies Program at the University of Nebraska is tracking the evolution of FACs and emerging trends that affect them.

For the future, expect further refinement of franchise guidelines for operations.

Franchising advisory councils will help institute strategic plans and point the direction for future success and growth of franchise organizations. With a dynamic advisory council, franchises will remain in the forefront of American business, by combining the advantages of individual ownership with group planning advisory boards. NB

To order reprints of this article, see page 65.

What a Franchisor May Offer

Franchisors are providing many services for franchisees. Among the most innovative:

Medicine Shoppe International, Inc., of St. Louis, offers free medical screening examinations for customers of their franchise stores, says Jeff Atkinson, president. Tests are for high blood pressure, diabetes, glaucoma, and colon and rectal cancer, among others. Atkinson says Medicine Shoppes will soon be offering a program called "Thumbuddy Misses You," a fingerprinting ID service for children. Such programs, says Atkinson, bring higher traffic to the 500 Medicine Shoppes. "We cannot insist that our customers get sick," says Atkinson, so the company finds ways of serving customers better.

The company also provides more than 200 private label medicines to franchisees, which have substantial profit margins and sell for lower prices than national and other private brands.

U.S. Electronics Group of Denver, a franchisor of home electronics centers, selling audio and video equipment and computers, is setting up a computer network that will give unit owners access to its mainframe computer and accounting packages. It will also be providing computerized newsletters, bulletins and an information center.

Namco Tel-A-Cover Systems, Inc., sends several of its top franchisees to the Super Bowl, as a way of enhancing motivation. Namco, based in Natick, Mass., markets plastic covers with advertising for telephone books, and has 75 franchises. Arthur Sells, president of the firm, says motivating a franchisee "is entirely different from motivating an employe," because the franchisee is an entrepreneur and has different goals. One way Namco measures a top franchisee is his or her willingness to help other franchisees who may need it.

Sheraton Corporation will cooperate with American Airlines to give a guest staying at a Sheraton franchise bonus points in the carrier's travel incentive program. That will encourage frequent fliers on one of the nation's busiest airlines to stay at Sheraton hotels.

Merry Maids offers a comprehensive insurance program to franchise owners and awards of from $4,000 to $12,000 to top sales producers.

—Robert Justis

Own Your Own Franchised Business 30 Years of Proven Success

Exceptional Professional Opportunity for those sales and marketing oriented people who want their own business.

30 years experience has led NAMCO to franchising as the best way to maintain corporate growth during the exciting 80's.

We have sold over 75 franchises in the past two years. Exclusive prime territories are now available, including the Maine Coast, No. Shore & Cape Cod, MA; Annapolis & East. Shores, MD; Va. Beach, Richmond, Roanoake, VA; Select areas in No./So. Carolina; Georgia; Tenn. Mid-west areas include Illinois, Ohio, Penn. (We do not want to expand west of Miss.)

Our franchise program includes exclusive territories and a nationally recognized training program. Proven results show low exposure to risk, low overhead and immediate cash flow. High bottom line return in relation to moderate cost. Total investment varies with territory, between $20,000 and $30,000.

For more information
Write or Call Collect: Franchise Division.
(617) 235-5500
or 655-0510
NAMCO Systems, Inc.
7 STRATHMORE ROAD
NATICK, MA 01760

MAJOR MALLS

All American Hero, one of the nation's fastest growing fast food concepts, has prime regional mall locations available. Contact Joe Piazza. 305/486-7000.

All American Hero

Franchising.

Today's way to growth and success for thousands of companies. Like yours. And Franchise Developments Inc. is where it starts, the nation's most experienced franchise consulting firm.
412/521-4988

FDI

THE
AMERICAN DREAM
OWN YOUR OWN BUSINESS
rainbow snow CAN BE THE END OF YOUR RAINBOW
HAWAIIAN SHAVED ICE IN MORE THAN 50 FLAVORS
• COMPLETE BUSINESS PACKAGE •

- FIBERGLASS BUILDING
- EQUIPMENT
- SUPPLIES
- TRAINING
- BUSINESS OPERATING MANUAL
- PROVEN HIGHLY SUCCESSFUL

OWNERSHIP INVESTMENT OF LESS THAN $16,000
IS RAINBOW SNOW STILL AVAILABLE IN YOUR AREA?
(801) 268-8887
rainbow snow, inc.
8150 SO. STRATLER, SALT LAKE CITY, UTAH 84107
TONY FRANKOVICH — V.P. SALES

FRANCHISE & BUSINESS OPPORTUNITIES DIRECTORY

FBD

Over 1,000 listings with pertinent data. Full pages detailing info on selected franchises for the U.S., Canada & Overseas.

Send check/money order $19.95 includes postage & handling to:
FBD PUBLISHING COMPANY
1725 Washington Rd., Ste. 205, Pittsburgh, PA 15241
412-831-2522

The Maids AMERICA'S MAID SERVICE™

A professional maid service for the home. You receive materials, equipment, training, marketing, pricing and more. Area development program available.
Call 1-800 THE MAID
Franchise Director,
5015 Underwood Ave., Omaha, NE 68132

FRANCHISING

TALK WITH NATIONWIDE

NATIONWIDE FRANCHISE MARKETING SERVICES
12800 HILLCREST SUITE 112 DALLAS TX 75230
CALL (214)980-7711

Turn your contacts into $

Dunhill Personnel System is ready to show you how.

For over 32 years we've been finding job candidates and placing them with clients. Placement fees currently average $7,000.

Dunhill Personnel has a System that works. And it can work for you.

We're now offering franchises to entrepreneurs who want to become part of a 300 office recruiting and placement network; entrepreneurs who want to become part of a System that offers extensive training programs, support and National marketing.

For further information, contact Bob Davis at:
Dunhill Personnel System
One Old Country Road
Carle Place, NY 11514
or call (516) 741-5081 and turn your contacts into money.

Dunhill Personnel System, Inc.
This advertisement is not an offering. An offering can only be made by a prospectus filed first with the Department of Law of the State of New York. Such filing does not constitute approval by the Department of Law.
A Subsidiary of Transworld Corporation.

New Growth Industry

If you think Quick Printing is a growing industry you're right... however technology has created a new and more dynamic growth industry based on Electronic Printing & Graphics. Lasers, computers, high speed duplicators and presses combine to create an outstanding high technology franchise opportunity. AlphaGraphics Printshops Of The Future has over 110 franchises nationwide. We provide prestigious high traffic locations, comprehensive training, marketing and advertising, financing and more. Total investment of $200,000 is up to 80% financible. Minimum cash requirement of $40,000 includes working capital. Call toll free 1-800-528-4885 or write to AlphaGraphics Printshops Of The Future, Franchise Division PP, 845 E. Broadway, Tucson, Arizona 85719.

alphaGraphics®
Printshops Of The Future

A Business You Can Appreciate.

A New England Log Homes, Inc. franchise assures you of:

- Support service unsurpassed in the manufactured housing industry
- National advertising and promotional campaigns with rapid inquiry-to-sales lead conversions to the dealers
- Additional profit potential through residential and commercial log building construction
- More than 40 affordable models, providing something for everyone in the housing marketplace*

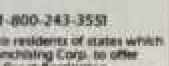
* more than 85% of our log homes are sold as primary residences.

PLUS, your NELHI model home is a constantly appreciating real estate investment!

New England Log Homes is the nation's largest manufacturer of Hand-peeled log homes, with four plants serving coast to coast.

Join the successful NELHI team of Franchise Dealers, Sales Representatives and Land Developers.

Call or write for information: **NEW ENGLAND LOG HOMES**



Franchise Director
New England Log Homes, Inc.
2301 State Street
P.O. Box 5427HZ
Hamden, Connecticut 06518
203-562-9981

AUTHENTIC LOG HOMES

Outside Connecticut Toll Free 1-800-243-3551

Franchise opportunities are limited to residents of states which permit New England Log Homes Franchising Corp. to offer dealerships. Manufacturing plants in Great Barrington, Massachusetts; Lawrenceville, Virginia; Houston, Missouri and Marysville, California.
Charter Member of Log Homes Council and Member of International Franchise Association. © 1985 by NELHI

Pizzazz for Annual Report-z-z-z-z

A (sometimes humorous) look at ways to turn this yearly dog and pony show into a box office smash of corporate communications.

By Arthur Zelvin
Illustrations by Bernie Schoenbaum

THEY ARE out there, listening: your stockholders, the stockbrokers, investment bankers, corporate raiders, your employes, suppliers and customers, your industry. They want to know how your year *really* was.

They have good reason for wanting to know. And you have good reasons for wanting to tell them.

The corporate report can be one of the most potent weapons in the arsenal of corporate communications. Use it well, and it can help you win important battles. Use it badly, and it can do lasting harm.

Annual report time is the one time every year your company has to account for itself, in full and audited form. It is a legal document, and for that reason people are inclined to take it seriously. If you use the opportunity well, do not bore your audience or insult their intelligence, you have a chance to sell them your ideas and yourself.

Illustrated here—humorously but with point—are some themes that can be included in a good annual report. They come from "In Search of the Most Excellent Annual Report," by Shareholder Reports, Inc., a New York graphics design firm specializing in corporate communications literature.

ARTHUR ZELVIN *is president of Shareholder Reports, Inc.*

Show Off Your Operations Systems

Whether your company manufactures a product or provides a service, shareholders quite naturally want to know how *their* company gets its job done. Adopt a "one day in the life" approach to your operations systems. Show the most recent innovations and give understandable reasons for introducing them. Compare your advanced technology with industry standards. Demonstrate how your system is efficiently designed to reduce costs and maximize profits. It is a good chance to shine, and no hype is required.

Take Stands On Economic Issues

You know business. Your business is business. Thoughtfully discuss the issues of the day that affect the economic well-being of your customers and shareholders. Put the power of your prestige behind current proposals that foster a climate suitable for responsible corporate growth—and against those that threaten it. A forceful, well-reasoned stand on contemporary issues in an annual report can have a ripple effect throughout the media and even down the corridors of political power.

"He must have gotten the ear of the powers that be."

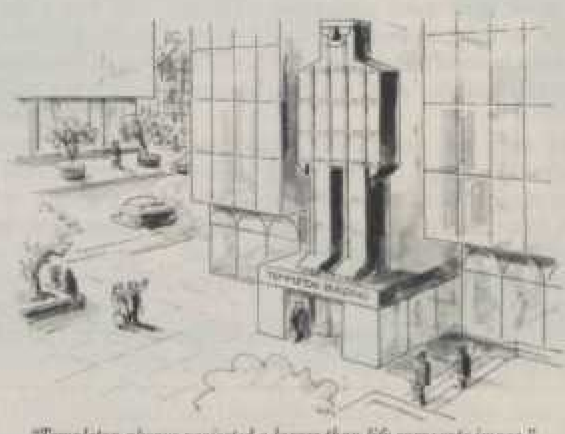
"Dear, could you whip up a little something for our corporate family?"

Emphasize Your Employes

Pay tribute to the men and women who make up your corporate family. Show them doing the jobs at which they excel. Describe productivity gains that result from their suggestions. Select representative individuals from various parts of your company and portray their roles in the collective achievement. When you let your employes know you value their contributions, they will value the time spent making them. Other readers of your report will recognize and respond to the human element.

Focus on Concrete Symbols of Success

Feature a new corporate headquarters in the forefront of architectural design, or a new manufacturing facility distinguished by technological innovation. New distribution centers, communications networks, back-office accommodations or field offices are all three-dimensional proof of success. They can logically and visually represent your company's ongoing achievement. A brilliant technological breakthrough in a new product or process would also make a fitting subject for your report's basic theme.



"Templeton always projected a larger-than-life corporate image."

"As you see, we try to dispel any notion that our company is a polluter."

Rebut False Accusations

When under attack, don't complain and don't explain in your annual report. Defensiveness can actually be a drawback. Do use this ideal platform to set forth in *positive* terms your company's position on the relevant topic. Deal factually and forthrightly with the situation as you see it. If there *is* a problem, acknowledge it and detail what your company is doing to solve it as a responsible citizen of the corporate community. Frankness and a perceived spirit of good will can turn condemnation into commendation.

Put Reverses In Perspective

No matter how competent the management, your company can be buffeted by social, economic and political forces at home and abroad. A downturn in the economy, a decision on Capitol Hill, a revolution in a small country thousands of miles away can adversely affect your financial statement. Make sure—up front and at length—that readers of your report fully understand the external reasons for your company's temporary setback and what you are doing to adjust to these changed conditions.

"And to start our stockholders' meeting on an optimistic note . . . here's Chairman L. Peterson to play 'The Sun'll Come Out Tomorrow.'"

Americans' Low Business IQ

DESPITE AN explosion of public interest in business in recent years, Americans remain largely ignorant of basic facts about the private enterprise system.

A national survey of the public's knowledge of business and the economy by the Hearst Corporation in July and August, 1984, reveals that a significant number of those surveyed think corporate profits average more than 50 percent of sales.

"With a finding like that in hand," says Frank A. Bennack, Jr., Hearst president and chief executive officer, "there is little reason to wonder why business is so often cast as the villain in so much public and political discussion."

Not only do Americans think business makes huge profits, they believe large corporations exercise more influence over the economy than anyone else, they overestimate federal spending on the military, and they underestimate social spending.

Most of the public's knowledge comes from television, newspapers, radio and magazines, and 55 percent of those surveyed say they are "uncomfortable most of the time" about their knowledge of business.

Bennack places the blame for the public's lack of knowledge squarely on the media, which, he says, are "not making any significant headway against this condition of lack of knowledge, ignorance, if you will."

Among the highlights of the survey:

Employment and unemployment. Sixty-two percent of those surveyed do not know the correct number of unemployed in the United States. They tend to overestimate rather than underestimate the number.

Fifty-three percent do not know the unemployment rate and are inclined to overestimate it.

On the whole, Americans do not know how unemployment figures are gathered or what they are based on. A huge proportion, 79 percent, do not know how many Americans are employed full-time in nonagricultural jobs. Most think the number is far less than the 100 million employed; 10 percent of the sample think the figure is as low as 10 million.

Government spending. Sixty-four percent do not know the size of the federal budget deficit. They overestimate by a large amount the percentage of the federal budget devoted to military spending.

Only one in five knows that less than 30 percent of the 1983 budget went to the military; more than half think it was more than that.

On the other hand, a staggering 79 percent underestimate the percentage of the budget going to social programs; fewer than 8 percent know the level for social programs was less than 50 percent in 1983.

Statistics. Although most are aware that the consumer price index measures how much some typical goods and services cost in comparison with what they used to cost, 60 percent do not know what the gross national product is.

Private sector. At least half know what the prime rate is and what the current interest is on adjustable rate mortgages. But four of five respondents greatly overestimate the number of union members; only 18 percent know that about 20 percent of Americans belong to a union.

Fifty-five percent think a suggested retail price is the dollar amount the Federal Trade Commission recommends a manufacturer charge for a product, rather than the amount manufacturers suggest to retailers.

Influence on the economy. Only 9 percent think the President has the most influence on the economy; 26 percent give the honor to large corporations and 24 percent to Congress.

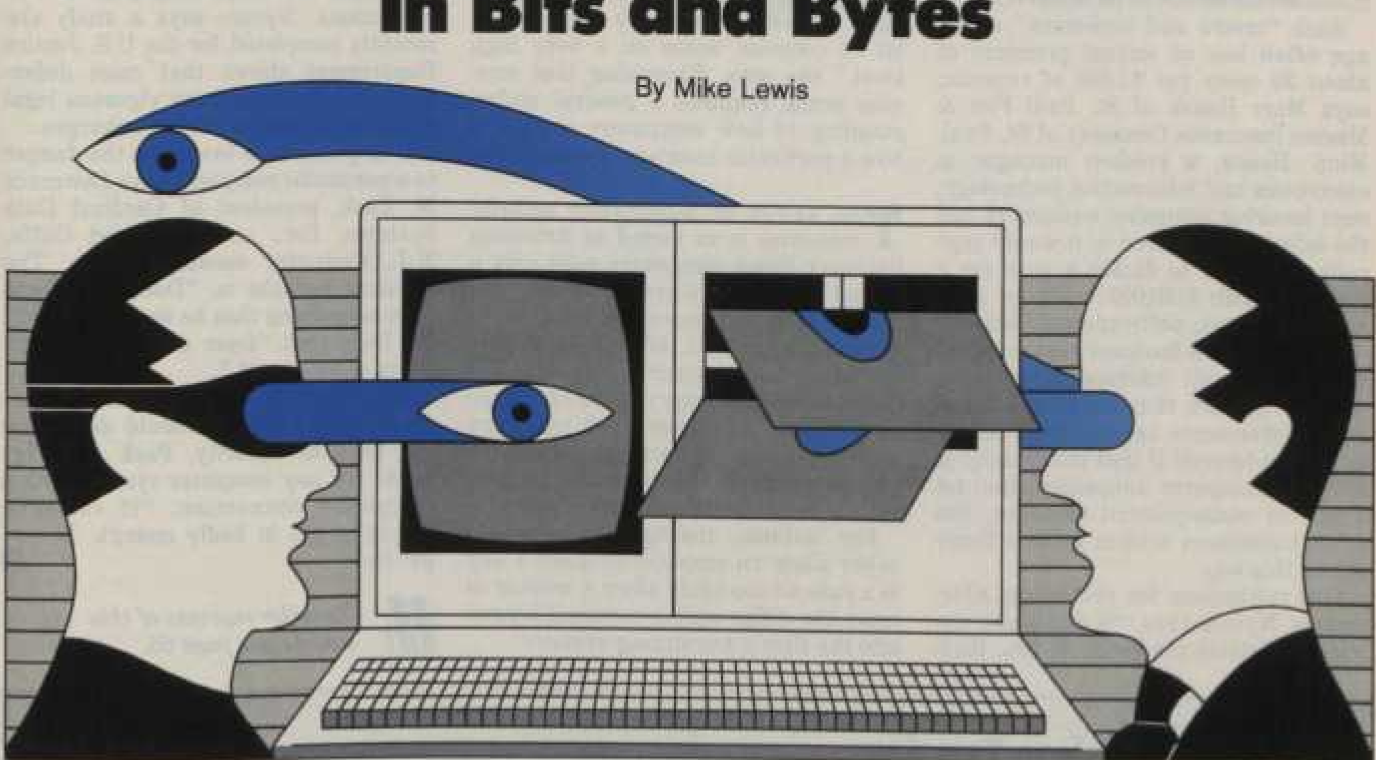
Personal financial situations. Americans remain optimistic about their financial futures. Fifty-six percent expect to be doing better financially five years from now, and 69 percent believe they are doing better than the generation before.

Asked about how they are doing now, however, many Americans are impatient with their progress. Exactly half of those surveyed are doing as well as they thought they would at this point in their lives, but 48 percent say they are not doing as well.

Although they are optimistic for themselves, people are less optimistic about the national economy: 39 percent say it will improve over the next two or three years, 27 percent say it will get worse, and 29 percent think it will stay about the same. ■

Computer Crime: Theft In Bits and Bytes

By Mike Lewis



ILLUSTRATIONS: JACK LEFKOWITZ

SEE HERE, Snedley, your work simply won't do. You have failed grossly to keep the books balanced. You're discharged."

Stung, Snedley returns to his office where the "books" are electronic records only he thoroughly understands. Snedley wonders how he will meet the mortgage payment and the car payment, and for that matter, the diaper service payment.

"Man, what you need is a new job," he tells himself.

"No, idiot," answers an inner voice, "what you need is some imagination."

With a bit of concentration, he uses the computer's modem, placing a telephone call to a bank on a Caribbean island where accounts are numbered, and he opens his own secret account. He then transfers funds—lots of them—from his company's bank account to his new account. He moves that money electronically to a different secret account in another offshore bank. Then he routes the funds from that bank to an account in the States he opens on behalf of his new "consulting" service. He quickly closes the two offshore accounts, which completely covers his tracks, and then goes on to other mischief. He erases the only backup copy of the company's financial records and leaves a ticking bomb in the accounting system in the form of an order to the computer to delete the remaining version of the books in a few days. The result: The company has been drained of assets in a way that can be hard to trace, and it has no records of its current financial status. Snedley walks away scot-free.

Computer crime often requires more sophistication than Snedley shows, but not always. Many U.S. businesses have ended up in bankruptcy court unaware that they have been victimized by disgruntled employes.

American business wishes the computer security nightmare would vanish like a fairy tale. Information processing has grown into a gigantic industry. It accounted for $33 billion in services in 1983, the last year for which figures are available, and is projected to account for $88 billion in 1988.

All that information is vulnerable to greedy employes, nosy teen-agers and general carelessness, yet no one knows whether the sea of computer dangers is only as big as the Gulf of Mexico—or as huge as the North Atlantic.

"We really don't have an accurate count of the number of computer-related crimes," admits William H. Webster, director of the Federal Bureau of Investigation. How big is the average computer crime? Half a million dollars, Webster says.

Whether the criminals are corporate managers transferring their firm's assets to a dummy corporation or hackers who use hundreds of thousands of dollars worth of service time on a computer network without paying, computer crime can present a company with a problem of devastating proportions.

Although hackers' mischief has attracted a lot of attention, says Liliane Choney, vice president of San Diego-based Data Securities International, Inc., a company's most skilled employes can present the greatest security danger to a firm because they understand the value of the information stored and how to gain access to it.

MANY FIRMS HAVE restricted access to computer terminals, but the rapid increase of personal computers in offices has given nearly everyone in a company potential access to corporate data.

And vulnerability is likely to increase in the future, says John C. O'Mara, executive director of the Computer Security Instiutute in Northborough, Mass. By the turn of the century, O'Mara says, nearly all software to run computers will be bought from vendors rather than developed in-house. Standardized software will make theft easier.

Already, thanks to personal computers and telephone access to corporate mainframes, "democracy has come to computer crime," says Susan H. Nycum, of Palo Alto, Calif., who is the partner in charge of the high technology group at the law firm of Gaston Snow & Ely Bartlett.

At least part of the answer, Nycum

says, lies in all-risk insurance, through which a company's policy offers protection if sensitive information, particularly about clients, is inadvertently made public or information furnished to a customer turns out to be incorrect.

Such "errors and omissions" coverage often has an annual premium of about 30 cents per $1,000 of revenue, says Marr Haack of St. Paul Fire & Marine Insurance Company of St. Paul, Minn. Haack, a product manager in electronics and information technology, says insuring computer equipment and the information stored in it would typically cost $500 to $1,000 a year for a company with $100,000 worth of computer hardware, software and data.

Nycum says a business person, when agreeing to sell information services, "has to be sure that his contract and other agreements are carefully drawn to protect himself if that information is wrong." Computer companies often set limits on consequential damages, but other businesses seldom protect themselves this way.

One mechanism for protecting information, Nycum says, "is depositing the goodies outside the reach of fire, theft or bad guys." Many companies daily or weekly make an electronic copy of their data base and store it in a safe, fireproof place away from the office.

"Anytime you have an investment in information," Choney says, "you have a risk." Offsetting the risk requires "a lot of common sense on a very high level," she says. Exercising that common sense requires a general understanding of how computers work and how a particular business is vulnerable.

THE RANGE OF appropriate security measures is as varied as American business: Some companies need only a locked closet to store computer diskettes that hold important data; some corporations spend millions of dollars for sophisticated security systems. Because this technology can be so intimidating that "managers don't really try to understand," Nycum says, a company can maintain the electronic equivalent of "steel doors and paper walls."

For instance, managers who would never allow an employe to leave a key in a safe all too often allow a worker to leave the office with a terminal logged into the firm's accounting system.

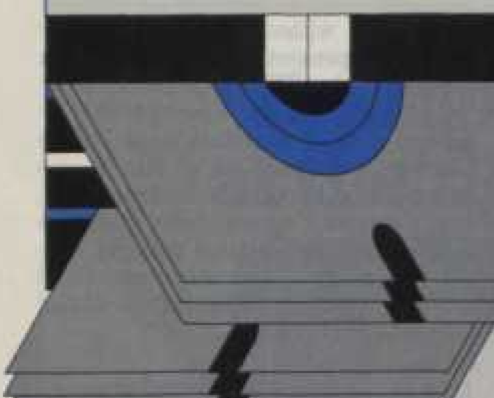
Reducing the chance of security breaches is essential: Not only are those computer-crime cases brought to court thought to be only the ripple on top of the ocean, but considerably less than half of the prosecutions lead to convictions. Nycum says a study she recently completed for the U.S. Justice Department shows that most defendants are now mounting vigorous legal defenses to computer-crime charges.

It is possible to overstate the danger to a particular company, says Lawrence M. Pack, president of Cardinal Data Systems, Inc., an Englewood Cliffs, N.J., computer consulting firm. The question he asks is, "Does that client have something that he wants to hide?" He finds that "from a realistic standpoint, most do not."

The value of the information that needs to be hidden should determine the level of security, Pack says, because for any computer system with a telephone connection, "if someone wants to get in badly enough, he can get in."

To order reprints of this article, see page 65.

The Hacker Tracker



"My business is tracking down hackers and identifying them."

John Maxfield, a former phone "phreak," computer hacker and informant for the Federal Bureau of Investigation, has gone establishment, opening Boardscan, a Detroit computer security firm aimed at combating the minority of hackers who are electronic thieves or vandals.

First fascinated by electronics as a teen-ager in the 1950s, Maxfield claims to be one of the inventors of the "blue box" used to reach out and put the touch on Ma Bell for free long-distance telephone calls.

Most hackers are teen-agers whose parents are glad to see them learning a valuable skill rather than hanging around street corners. What parents fail to realize, says Maxfield—also known as "Cable Pair"—is that "Junior is hanging out on an electronic street corner meeting all kinds of people" through electronic "bulletin boards," computerized message centers that each maintains.

By attaching a modem to a personal computer, computer users can become frequent visitors, via telephone, to other users' bulletin boards, where news and gossip can be shared.

A hacker's motivation, Maxfield says, is the intellectual challenge of electronic exploration: "The true hacker is like a mountain climber; he does it because it's there." Unfortunately, the first hacker to climb a particular mainframe is often led by ego to pass on access codes to anyone who reads his bulletin board. Eventually someone decides to hack off a piece of the information mountain by counterfeiting credit cards or shifting money between bank accounts. "What we really have are high tech criminals," Maxfield says.

In the early 1980s, as he perused the electronic bulletin boards that are computerized swap meets of information, he was chilled to see access codes to credit card records and even to a Pentagon computer system.

Concerned by computerized crime, Maxfield assisted the FBI in tracking down electronic thieves for about 18 months, until his cover was blown in January, 1984. Since then, Maxfield has employed his expertise commercially. He says he has files on about 1,000 hackers.

Organized crime, Maxfield says, has long used the telephone illegally to avoid having calls about drug deals traced: A call can be routed to another number, then through a long-distance service such as MCI's to an AT&T operator in a different city, who puts it through another long-distance service and then overseas, leaving a faint electronic scent almost impossible to trace—and even then only if a tracker knows where to start.

Now, Maxfield says, organized crime sometimes takes advantage of hackers' techniques because of the potential returns on hard-to-verify crimes. "This thing is becoming the organized crime of the future," he says.

The answer for businesses, he says, is to take advantage of technology: Computer security devices that can usually prevent illegal access to information often are not used in order to hold down the cost of operating computer systems.

We haven't changed a shade.

AMERITECH™

Bell Yellow Pages

The Ameritech Bell Yellow Pages is the same Bell Yellow Pages millions of businesses have depended on for more than a century. It's the same Bell Yellow Pages you've come to rely on as the most accurate, informative, cost-efficient source of year-round advertising available.

Ameritech Publishing incorporates all the experience and marketing expertise the Bell Yellow Pages is famous for. Ameritech Publishing provides the Yellow Pages for Illinois Bell, Indiana Bell, Michigan Bell, Ohio Bell and Wisconsin Bell.

We're the same Bell Yellow Pages. After doing something so right for over 100 years, why would anyone with an ounce of business acumen want to change now? Even a shade.

AMERITECH PUBLISHING

Circle No. 51 on Reader Service Card.

Holding the Lead in Computers

Business people holding off on purchases of U.S.-made computer systems because they think that Japan's technology will give it dominance in computers can go ahead and buy American. So says John P. McTague, deputy director of the President's Office of Science and Technology Policy.

Despite recent gloom-filled newspaper and magazine stories about Japanese efforts to develop so-called fifth-generation computers that would threaten U.S. computer manufacturers, "the country cannot afford and will not afford to have another country get the lead," McTague says. His office's review of the situation has led to this conclusion: "We're still ahead by factors of two or three and we're not going to lose." And, in any event, the consensus is that no one is likely to develop fifth-generation computers for several years.

Though McTague conceded during questioning at a recent White House conference on computer technology that government research and development funding might be cut in the drive to reduce the budget deficit, he insists that "we're not going to shoot ourselves in the foot by selling our future."

PHOTO: RICK BROWNE—PICTURE GROUP

Quality assurance slogans, like this one in a Hewlett-Packard facility, inspired the Japanese, says NASA's James M. Beggs.

Federal funding, McTague says, has moved from emphasizing applied research in the late 1970s to basic research today and reflects a changed environment in which private corporations, not the Defense Department, are the primary developers of technology. Since 1978, federal research money for universities—where most basic research is done—has risen 30 percent, after inflation, while overall federal R&D funding has remained flat.

The Reagan administration's message to business seems to be that corporations will increasingly have to finance applied research and that the quality of the research they will do depends on the quality of the universities that train researchers. If budget cuts force a reduction in the growth of federal research money when research is essential to a competitive advantage, corporate funding of university research—which has increased sharply in recent years—must grow at an even faster rate to keep U.S. companies ahead.

Another federal official with a vital interest in the state of American technology is James M. Beggs, administrator of the National Aeronautics and Space Administration. Beggs says his agency and private firms must continue to be concerned about the quality of the microchips and other high-technology products they buy.

"This is a management problem," Beggs says. "It is not, in my view, a problem with the worker." At too many U.S. companies, Beggs says, managers stopped visiting production lines and emphasizing high performance.

The result, he says, has been that the many "zero defects" slogans papering factory walls have not been put into action. "When the Japanese went through our factories after the war and read all those signs on the walls," Beggs says, "they thought we were serious." Now, after Japanese successes in quality assurance, the NASA administrator says many U.S. businesses are again putting real emphasis on quality.

Painless Integration

Integrated software—the kind that combines in one package a number of functions, such as data base, spreadsheet and word processing—has become very popular for managers who use personal computers. But some of the products are difficult to use and all of them are better at one of their functions at the expense of the others. Too often, a secretary has to learn spreadsheet commands in order to do word processing.

Now Dallas-based Executec Corporation has developed SeriesOnePlus—integrated software that offers a coordinated system. All the data can be used together, and commands learned for one function will work for the others. The products operate on about 15 brands of personal computers, including International Business Machines Corporation's PC. The basic package costs $495.

Never heard of SeriesOnePlus? David R. Caplan, Executec's president and chairman, says that does not worry him. At a time when the big developers of software for personal computers are spending millions on advertising and are searching for ways to tap the corporate market, Caplan has devised a different strategy: "We don't go after the retail marketplace."

Instead, Executec has marketing agreements with established suppliers of computer services to corporations, including Tymshare and Syncom. Their large direct sales forces give Executec a distribution line without need for the advertising support that other software developers, who distribute through retailers, must have. Could this be a trend?

—Mike Lewis

Keep America Growing

Through the Spirit of Enterprise

1985 Annual Meeting U.S. Chamber of Commerce

April 28-30

Mark Your Calendar Now

April 1985

Sun.	Mon.	Tue.	Wed.	Thu.	Fri.	Sat.
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28 ✓	29 ✓	30 ✓				

President Reagan (Invited)

Bob Hope

Orrin Hatch

Douglas Fraser

Richard Lesher

President Reagan has been invited to participate in the U.S. Chamber's 1985 Annual Meeting. So are you!

Bob Hope . . . Marine Band and Drum and Bugle Corps . . . Douglas Fraser, former U.A.W. President . . . **Sen. Orrin Hatch** . . . and many others will be there. . . .

✓ Here's your chance to learn firsthand from our nation's decision makers about the important legislative and political issues and how they will change your future.

✓ Will your taxes be raised? What personal and business tax deductions may you lose?

✓ Will we follow proven policies that stimulate savings, investment and growth? Or, will inflation, high unemployment and recession return?

✓ Will labor unions recover from the tremendous defeat they suffered in the recent election and start another wage-price spiral?

These are some of the issues our invited guests will discuss and debate during three exciting days of activities and events that include:

- a small-business breakfast with a nationally known speaker
- a rip-roaring debate on the future of the labor movement
- a question-and-answer session with key members of the Cabinet
- custom-designed workshops for state and local chamber and association executives
- a special briefing session on Capitol Hill with congressional leaders of both parties
- our gala Annual Dinner-Dance featuring comedian Bob Hope!

Clip This Coupon and Mail

Mr. Milt Mitler
Public Liaison Division
U.S. Chamber of Commerce
1615 H Street, N.W.
Washington, D.C. 20062
(202) 463-5427

___ Yes, I'd like additional information about program details, ticket packages, and hotel reservations for the U.S. Chamber's 1985 Annual Meeting.

Name __________

Title __________

Firm/Organization __________

Street Address __________

City/State __________ Zip ______

Trade Crisis Easing

Foreign recovery and a weaker dollar will boost exports, stem import rate.

By Henry Eason

THE UNITED STATES' trade deficit is likely to break another record this year, say government and private analysts. But the mighty dollar—which has made imports so attractive to Americans and American exports so costly abroad—is expected to weaken. More good news: Recovery abroad should push up demand for American goods.

"We should see a downward trend in the dollar," says global investment adviser Richard Debs, president of Morgan Stanley International, Inc. Debs also sees the Third World debt problem, which has cost American exporters big sales, as "a manageable situation over the long run."

Less developed countries were, until the trade deficit began ballooning in 1982, some of the United States' best growth markets. Debs says declining American interest rates will help Third World countries repay their debts, and continued American import demand will support growth in their economies. These trends will make them better able to afford U.S. products and services. The best bets for American export growth are high technology goods, agricultural products and nearly all services.

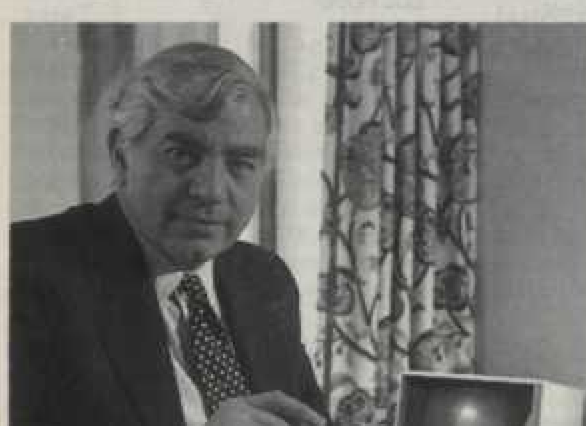
Edson Spencer, chairman of Honeywell, Inc., is "modestly optimistic" about high tech exports. "Our products have a competitive advantage that has not been entirely eroded by the strength of the dollar," he says. Spencer says there is strong demand for American high tech products in industrially advanced nations like Japan and those of Western Europe and "tremendous" markets in emerging manufacturing countries in Asia.

PHOTO: HONEYWELL

High tech exports still have an edge, says Honeywell's Edson Spencer.

But in Latin America and India, governments are erecting "nationalistic barriers" against these goods.

Data Resources, Inc., forecasts a revival of exports after their three-year slump and a subsiding rate of growth for imports. Capital goods imports, which soared 37 percent last year, should wane slightly, but consumer imports will continue to grow substantially as Americans buy more foreign appliances and automobiles. Also, predicts DRI, the nation's energy trade deficit will expand as we consume more gas and oil and sell less coal.



PHOTOS: T. MICHAEL KEZA

Investment banker Richard Debs sees the dollar's value dropping, giving a boost to exports over the long haul.

In agriculture, American sales will be boosted by greater Soviet demand for grain and a general increase in corn and soybean exports. However, DRI says a bumper crop and consequent falling grain prices will prevent the nation's agriculture trade surplus from improving markedly.

Also to be expected: Some food-targeted foreign retaliation against American protectionist measures. For example, China could reduce farm purchases in response to new U.S. barriers to textile imports.

Debs says financial services and other service exports—where the United States already runs a surplus—are growth areas. Thanks to a new international awareness of the importance of service exports, there is now widespread interest in reducing barriers to such exports through multilateral action. Service exports are not now covered by international law. "I'd advise American businesses," says Debs, "to be better prepared when they get into exporting and to really urge the government to facilitate exports."

Spencer says the best way to accomplish this is to reduce the federal deficit, which has kept interest rates high and the dollar too strong.

Commerce Deputy Under Secretary Olin Wethington says imports will continue strong in autos, steel, textiles and footwear, but will lessen as the administration tightens the net on unfairly priced goods from abroad.

"The dollar volume of the trade deficit in 1985 is likely to be higher than in 1984, but I think we'll see a slowing in the rate of increase," Wethington says.

WITH TRADE frictions threatening to worsen, U.S. Trade Representative William Brock is pressing our trading partners for freer rules under the General Agreement on Tariffs and Trade. Discussions are under way informally in preparation for another round of talks, perhaps within a year.

"While our objective is to improve and enhance the multilateral system," says Brock, "we'll take bilateral liberalization when we can get it." The United States' anticipated free trade agreement with Israel, he says, could serve as an example for eliminating protectionist barriers with other countries on a case by case basis—if there is continued resistance within other protected economies to a worldwide trade-liberalizing agreement.

The trade war many feared would break out this year was quelled to some extent when Congress declined to enact heavily protectionist legislation. Perhaps, traders here hope, our trading partners will soon begin to open their markets wider, too. NB

The New Congress Meets the Deficit

Cutting down on the flow of red ink is everyone's top priority.

PHOTO: GREG MATHIESON—GAMMA LIAISON

Secretary Caspar Weinberger's Defense Department is a focus of controversy over federal spending.

THE FEDERAL DEFICIT for the 1984-85 fiscal year was estimated at $175 billion when the 98th Congress ended in October. When the 99th Congress convened last month, the estimate had gone to $205 billion.

That acceleration has emphasized the top priority role that shrinking the size of deficit spending will have among issues the new Congress will consider this year.

The need to stem the flood of red ink was probably the only issue on which most candidates in the 1984 elections agreed, but there is a sharp division over the most effective way of doing the job.

The deficit spending debate will center on spending restraint, tax increases and pro-growth economic policies. The outcome could determine the course of federal fiscal policy into the next century.

How spending reform is packaged, many say, could be the key to reform's adoption. It may be necessary to couple spending cuts with slower growth in defense outlays. According to the Grace Commission, plenty of opportunities exist for cutting defense spending without hurting national security.

Other legislative issues that business will be following in the new Congress include tax reform proposals designed to simplify the tax code by reducing the number of rate brackets, lowering tax rates and eliminating or modifying many tax breaks.

The original proposals for tax reform drafted by the Treasury Department alarmed many in the business community, which regarded a number of the recommendations as anti-growth. A particular area of concern was Treasury's call for elimination of both the accelerated depreciation rules and the 10 percent investment tax credit.

The Treasury plan remains subject, however, to changes by President Reagan as the White House puts together the administration's formal recommendations to Congress. Lawmakers are expected to hold extended hearings on tax reform this year.

Also on the list of congressional issues of concern to business:

Discrimination is the stated target of a new version of the Civil Rights Bill of 1984 that is expected to be the first major piece of legislation to come up for a vote. The bill is opposed by business groups because it would extend federal regulations to all businesses that accept—directly or indirectly—government money.

Domestic content will be up for the third straight year. The union-backed measure would require a minimum amount of U.S. labor and parts in foreign cars sold here. That idea would cost consumers billions, foes say.

Small business will benefit if Congress passes a proposed bill allowing banks to set aside up to 5 percent of their capital for equity financing of small businesses.

PHOTO: JUDITH E. SLOAN

Limits on auto imports by requiring a minimum of U.S. parts are the goal of a labor union-backed bill.

Privatization, or turning over to the private sector some of those functions now performed by government, will get a boost because of the importance Congress attaches to cost cutting.

Product liability legislation setting a uniform federal standard of liability for manufacturers that make defective products is expected to be voted on early in the year.

Comparable worth, an idea that could get Uncle Sam in the business of setting wage levels, is also expected to reappear as a congressional request for a study of the controversial concept.

Access to justice was the subject of high priority legislation vetoed by the President last year. Business will get behind a rewritten bill that would require small businesses to be reimbursed for legal costs in cases brought by the federal government without "substantial justification." Small business wants legislation that would require government to meet a higher standard of proof in tax cases.

Farm policy will be debated when a new crop price support program is taken up. The administration hopes to cut the $25 billion-a-year program—twice the level of four years ago—in ways that will help to make American farm exports competitive again.

Federal Reserve controls may be taken up if lawmakers believe the central bank may bring on a recession with erratic changes in the money supply.

Youth minimum wage will come up for an early vote. The measure is aimed at helping teen-agers get their first summer job by permitting employers to pay less than the minimum wage.

As a permanent solution to the fiscal crises of the past several years, the Reagan administration also seeks a constitutional amendment to limit taxes and spending and a measure granting the President the same authority to veto individual spending items in the budget as is now exercised by 42 state governors over their budgets.

Whether these issues are resolved favorably to business may depend more on President Reagan's success in translating his great personal popularity into legislative victories, than on any shift in the strength of either party in the House or Senate. NB

Where I Stand

Key Washington decision makers will be informed of your views on these important business issues.

1 Federal Registration Of Handguns?

Handguns are pervasive in our culture, as many a robbed business knows. To curb their use in crime, many call for registration. They say federal, rather than state, action is needed because unless registration is universal, it will be ineffective. Others call such a move a step toward unconstitutional tyranny and argue that criminals would not register guns, anyway. They urge stiffer penalties for crimes involving guns. Should there be federal registration of handguns?

2 Automation: What Effect On Your Hiring?

Computers and robots are becoming ever more significant as U.S. businesses automate. Billions are being spent on electronic products. Critics, including some labor groups, fear a future in which secretarial pools will consist of machines and robots will replace blue collar workers. Many managers say automation's targets are inventory costs and quality, not personnel costs. Will your company reduce its hiring in the next five years because of automation?

3 Further Rights Rules For Business?

Legislation defeated in Congress last fall would have expanded already broad civil rights laws by extending federal requirements to indirect recipients of federal funds. Sponsors of the bill are expected to push it this year, asserting that antidiscrimination laws need strengthening. Opponents say such a law would impose unnecessary burdens on businesses like stores that accept food stamps. Should special civil rights rules be extended to more businesses?

Respond to the poll with the attached postage-paid card. Letters to the editor on these issues are welcome.

Results on Charity Taxing Benefits, Homework

Here is how readers responded to the questions in the December issue's Where I Stand poll. Results of each monthly poll go to appropriate decision makers in the White House, Congress and the regulatory agencies.

	Yes	No	Undecided
1 Should companies contribute to charitable organizations?	74.8%	16.5%	8.7%
2 Should Congress remove tax advantages for employe benefits?	17.9	78.5	3.6
3 Is work at home worth trying in your business?	42.0	47.0	11.0

Free Advertiser Information

The advertisers listed below will be pleased to send additional information about their products and services—at no cost to you. Make your selections by circling the advertisers by number on the attached postage-paid reply card. Fill in the additional information and drop in the mail. NATION'S BUSINESS will see that your requests are forwarded promptly.

Ameritech Publishing, Inc. (51)
Best Western International (32)
Bic Corporation (4)
Cadillac Motor Car Division (10)
Cincinnati Microwave, Inc. (33)
Dale Carnegie & Associates (83)
Coral Gables Economic Development Board (52)
Great Plains Software (46)
IBM Corporation-Personal Computer (101)
Lathem Time Recorder Company (1)
Mail Boxes Etc, USA
Michigan Office of Economic Development (111)
Oklahoma Office of Economic Development (3)
OPIC (34)
Omaha Public Power District Area Development (72)
Peat, Marwick, Mitchell & Co. (27)
Princess Cruises (39)
Swingline Company, Inc. (20)
Swintec Corporation (100)
U.S. Leasing (93)
United States Postal Service—Zip+4 Program (40-January)

REPRINTS

Order your personal copies of these timely articles today!

☐ Passing the Buck On Benefits
p. 18
______ Quantity

☐ The Right Investment Company
p. 28
______ Quantity

☐ Franchisors: Have You Hugged Your Franchisee Today?
p. 46
______ Quantity

☐ Computer Crime: Theft in Bits And Bytes
p. 57
______ Quantity

Send your order and check to:

Nation's Business Reprints 1615 H Street, N.W.
Washington, D.C. 20062 (202) 463-5877

1 to 9 copies ... $1.49 each*
10 to 29 copies ... .98 each
30 to 99 copies ... .69 each
100 to 999 copies ... .49 each

*Price is per copy.
More than 1,000 copies, please call.
Reprints from past issues are available.

Other articles available by special order.

Name ______ Title ______

Company ______

Address ______

City ______ State ______ Zip ______

ADVERTISING

BUMPERSTICKERS go 'out on the street' promoting and advertising for you, for pennies. Call HEADLINE, toll-free, for samples, prices. 1-800-548-7216.

APPAREL/UNIFORMS

MEN'S & WOMEN'S OXFORD SHIRTS FROM $15.00 60% cotton. Long or short sleeve, 4 colors. Free brochure. Calhoun's, PO Box 6275, Columbus, GA 31907.

WORKING CLOTHING & UNIFORMS: Free company emblems & 1st name included in our low prices. Carefree Uniform Sales, 106 S. Main St., Oakfield, NY 14125. Free Catalog. 800-237-8400 ext. 106; in FLA. 800-282-1469 ext. 106.

BUSINESS OPPORTUNITIES

RINGS, WATCHES, JEWELRY - 400% PROFIT. FREE SALES KIT/CATALOG. SPOTLIGHT, 2323, 600 THIRD AVENUE, NEW YORK, N.Y. 10016.

EST. 1912 FLORIST, complete retail facility. Greenhouses on 10 acres. Market area 250K pop. Sales 500K +. Call Andy Pappas, Penn Real Estate, Altoona, PA. 814-944-1400.

Will buy 30,000 consumer products under $1.50 ea. Gifts preferred. Principals only. Entrepreneurs' Club, 9300 Wilshire Blvd, #470, Beverly Hills, CA 90212. 213-939-9258.

INCREASE YOUR INCOME! Help arrange loans, leases, other financial services thru Nationwide Lender Network. Prestigious "money" business, full/part-time. Top commissions. Complete training, continuous support. PFA, Box 697-G2, Dana Point, CA 92629. 714-240-0405, ext. 100-G2.

MAILORDER OPPORTUNITY! Start profitable home business in America's fastest growing industry. Nationally known authority will teach you. Write for free book, sample catalog, plus details. No obligation. Mail Order Associates, Dept. 57, Montvale, NJ 07645.

POLLUTED DRINKING WATER
Today's most urgent environmental problem. DURASTILL™ has the total system to protect every home. Become a distributor in this important industry. Twelve years of manufacturing dependability. Write: DURASTILL™, Box 78641-NB, Atlanta, GA 30328; call free, 1-800-821-6000.

MONEY IN MINI OR MAXI DONUTS
Large or small, you can make money with them all. Our INCREDIBLE machines produce up to 120 dz per hr automatically. Our delicious mixes, spices, toppings bring them back for more. Carnivals-Fairs-Fund Raisers-Stores. FREE INFORMATION. GOLD-N-GOOD DONUT CO., 547 North Wheeler Street, St. Paul, MN 55104.
612-646-5431

INCREASE SALES — USE AN 800 LINE!
RESULTS GUARANTEED
Unique firm offers an 800 line for as little as $25 per month. In addition, we warehouse, process major credit cards & ship for easy mail order start-up/testing. We can act as your sales office in Washington, Switzerland, France or Kuwait. WATS/Telex & addresses available for your letterhead, etc. For details, call anytime:
TELEREP 800 (800) 638-2000
(800-831-4300 in MD)

Classified Rates And Information

To place a classified ad CALL TOLL FREE, 800-424-6746 (in Washington, DC call 463-5640) or write Nation's Business Classified, PO Box 1200, Washington, DC 20013. Closing date for advertising is first of month preceding date of issue. Rates are based on frequency at a per line per insert cost as follows:

1x	3x	6x	9x	12x	—frequency
$29	26	24	21	18	—line rate

Ad minimums: solid set, 3 lines; display, 1 inch.

How To Reply To Box Numbers

Box (number in ad), Nation's Business Classified, PO Box 1200, Washington, DC 20013.

BUSINESS OPPORTUNITIES

HOME IMPORT MAIL ORDER BUSINESS. Start without capital. FREE REPORT. Mellinger, Dept. R1552, Woodland Hills, California 91367

FOREIGN TRADE FAIR NEWSLETTER: Lists new products offered by foreign manufacturers to U.S. firms. Free details. International Index, Box 636 NB, Newark, NJ 07101.

SECRETS OF MAKING FORTUNES thru Multi-Level Marketing revealed in 20-page book. $1. Secrets, Box 59001-NB, North Redington Beach, FL 33708.

TAMPA, FLA AREA: Pump supply & service business. Estab. 14 yrs. 2-man operation. Owner finance business & property. 14821 Nebraska Av, Tampa, FL 33612. 813-971-7999.

DISTRIBUTORS WANTED: Growing Windshield and Plate Glass Repair Business. Huge Profits. Contact CGA, Inc., 263 W. 3rd Pl., Mesa, AZ 85203. 602-253-0005.

HIGH INCOME SALES POSITIONS for collection agency. Free career guide & details. N.C.C., 781 W. Oakland Park Blvd., Suite 123, Dept. N, Ft. Lauderdale, FL 33311.

$360 WEEKLY/UP, MAILING CIRCULARS! No Quotas/Limits. Sincerely Interested, Rush stamped envelope to: National Division, Box 15877-NA2, San Diego, CA 92115.

ARAB BUSINESSMEN
HAVE MONEY TO BUY & INVEST.
Top finders fee paid. Finders inquiries invited.
Dept. 285NB1, Box 100, Nation's Business

REAL ESTATE FORECLOSURES/REPS NEEDED
for this profitable business. No cash required. Free information. Horizon Financial Corp., 2474 N. Federal Hwy., Dept. N, Pompano Beach, FL 33064.

START YOUR OWN BUSINESS AT HOME. Up to $750 next weekend. Tired of 9-5 job. Send for valuable information today. FREE DETAILS. No salesmen. No obligations. 2012 Fairbanks, Nederland, TX 77627.

MLM consultants/mailorder professionals. Explosive, patented health/fitness career opportunity! Sales records nationwide. Regional warehouses, national advertising Co-Op. Shelton of Louisiana, Box 699-NBB, Baton Rouge, LA 70821.

OWNER—INVENTOR OFFERS... A booming business opportunity in Acoustic Cleaning field. Save thousands— make unlimited earnings. For more info, call Erin's Technique. 818-994-8426. Call CA time 8:00 AM to 12:30 PM.

COFFEE?!? 450 million cups consumed daily nationwide. A national coffee company offering multi-level marketing status. Ongoing unlimited income potential. For sample & details, write: COFFEE COMPANY, P.O. Box 835, Wausau, WI 54401.

YOU CAN EARN $2,000-$4,000/MONTH if you can invest approximately $12,000 and can spend approximately 1 hr/wk supervising 1 female employee. Not all areas available. Call or write: New Reflections, Inc., 3409C N. Kennicott Ave., Arlington Heights, IL 60004. (312) 577-7744.

TWO BUSINESSES ARE BETTER THAN ONE: "Two Fantastic Businesses" can make you twice as rich. Little or no investment. Detailed book shows how. For free information write: J. Sullivan Publishing, 9478 Countryroad Drive, Sacramento, CA 95827. Or call, 916-369-0296.

CEDAR LOG HOME DEALERS NEEDED
Two sales per month generates $96,000 income per year. We have hundreds of prospective buyers. Contact:
CEDARDALE LOG HOMES
PO Box 18606, Greensboro, NC 27409
or call Don Pence at 919-854-1752

BECOME A SUCCESSFUL MANUFACTURERS' REPRESENTATIVE. Manufacturers' Agents' Newsletter tells you which firms are looking for representatives, the firm's product line and territories available. Established since 1966. For information write: Manufacturers' Agents' Newsletter, Dept. 130A, 23573 Prospect Avenue, Farmington, MI 48024.

BOOMING BUSINESS
Unique service type business for professional with marketing background to step into a growing and profitable industry with no limits to earning potential. Exclusive spray and dry chemical method of cleaning acoustical ceilings. No scrubbing or washing. Must relate to painting or decorating. $16,700 cash investment. Some areas still available. Write or call: Tangible Research and Development, 2901 Wayzata Boulevard, Minneapolis, MN 55405. 1-800-328-4650.

CARPET

BUY DIRECT. SAVE 40 TO 50%
FROM THE "CARPET MILL STORE"
Big savings on all types of quality business & home carpets. Shop in person or write your requirements including $10 for samples (refundable upon return or purchase). 303 W. Walnut Ave., Dalton, GA 30720. 404-226-8764.

COMPUTERS/ACCESSORIES SOFTWARE

Best Prices On TRS-80 Computers

Our 8th year of discounts
Ed or Joe McManus
Fgt. Prepaid. Save Tax.

Toll Free 800-231-3680
Marymac Industries, Inc.
22511 Katy Fwy.
Katy (Houston), Tx. 77450
1-713-392-0747 Telex 774132

EDUCATION/TRAINING PROGRAMS

WRITING SERVICES. All fields. Professional. Confidential. Prompt. Speeches/articles/papers/presentations. Also offer counseling in college degrees by mail. Writers Unlimited, Box 60185, Washington, DC 20039.

NEW, REDUCED TUITIONS for Certificate/Undergraduate/Graduate/4-year Correspondence Law Programs. FREE INFORMATION. cuLa, 1111 Wilshire Blvd., Los Angeles, CA 90017-1966. 213-481-0950.

BACHELORS, MASTERS, DOCTORAL DEGREES
Non-residential programs. Send resume, mention Academic Field, and we'll tell you the credits you've already earned from work experience. No Obligation. SOUTHWEST UNIVERSITY, 2411 West Northern Ave., Phoenix, Arizona 85021. (800) 835-7427, ext. 324.

University Degrees! Economical home study for Bachelor's, Master's, Doctorate. Prestigious faculty counsels for independent study and life experience credits. Free proof—Richard Crews, M.D. (Harvard), President, Columbia Pacific University, 1415 Third Street, Suite L701, San Rafael, CA 94901; Toll Free: 800/227-1617, Ext. 480; California: 800/772-3545, Ext. 480.

DEGREE PROGRAMS—OFF CAMPUS. Graduates qualify for CA Bar Exam. PLUS, BACHELORS-MASTERS-DOCTORATE in Business, Engineering, Public Administration, and Health Service Management. No classroom or residency required. Credit for work & life experience— SOUTHLAND UNIVERSITY, 35 N. Craig Ave., Dept. A10, Pasadena, CA 91107. Cont. USA, NATIONAL INFORMATION LINE: (818) 795-5558.

PROFIT BY DOING BUSINESS WITH THE FEDERAL GOVERNMENT. FOR THE SMALL/ MIDSIZE COMPANY.

Two complete cassettes, plus helpful resource booklet, for $39.95 plus $2.00 postage and handling. **BONUS . . .** A one year subscription to "Government Business Update."
Government Sales Associates
118 So. Royal St., Suite 302
Alexandria, VA 22314
Credit Card Call:
(800) 235-6646 ext. 579
Cal. (800) 235-6647 ext. 579

EXPORT/IMPORT

"YOUR OWN MAN IN ENGLAND FOR A DAILY FEE"
Experienced in introducing US products to UK markets. Martin Anderson, PO Box 55, BANBURY, OX17 2LB U.K.

Export Management Co. will market your production in the Middle East and Asian markets. Arranges joint-ventures, licensing agreements, overseas manufacturing. 314-576-7410.

READ GRIST's "USA & INT'L EXPORT/IMPORT GUIDE". Key reference for Manufacturers, Distributors, Exporters, Importers, Entrepreneurs, etc. $16/copy or free info. GRIST, Box 227, Amherst, MA 01004.

FINANCE/INVESTMENTS

NEED A CREDIT CARD?
Will help anyone 18 years and up get Visa or Mastercard or money returned. Call 24 hours 312-798-3500.

FINANCE/INVESTMENTS

WE PURCHASE OWNER FINANCED NOTES.
Nationwide—Immediate Cash.
Call BrijCom. 713-955-0500.

DEVELOPMENT CAPITAL AVAILABLE
Up to $7.5 mil or more for businesses looking to build, buy, expand or develop new ideas in Western Wisconsin area. WISCONSIN FARM REALTY, Rt. 1, Alma, WI 54610. 715-946-3185. Emmett Rutschow, owner/broker.

FRANCHISE OPPORTUNITIES/SERVICES

FRANCHISE YOUR BUSINESS
No charge for initial consultation. Call 703-524-2137.
KOACH ASSOCIATES, Franchise Consultants

BE A BUSINESS BROKER!
No experience necessary! Low franchise fees.
Many areas available in the U.S.A.
proVenture, Inc.
79 Parkingway Quincy, MA 02169 617-773-0530

HEALTH/FITNESS

DRINK PUREST WATER POSSIBLE! Largest Selection of Home Distillers! Discount Prices! 800-874-9028. Waterwise, Box 45964, Centerhill, FL 33514. (Dealers Welcome)

HOME/OFFICE FURNISHINGS

Furniture Shopping ?
Over 150 major lines at discount prices. Call for quotes TOLL FREE: 1-800-438-3858 or write for info: The Furniture House of N.C., Inc., I-85 at Peeler Rd., PO Box 1591, Dept. 18, Salisbury, NC 28144.

TREMENDOUS SAVINGS ON MAJOR
BRANDS OF FURNITURE
Call or write Loftin-Black Furniture Co.
941 Randolph St., Thomasville, NC 27360
CALL TOLL FREE 1-800-334-7398
(In N.C. call 919-472-6117)
NATIONWIDE HOME DELIVERY

INDUSTRIAL PRODUCTS

INDUSTRIAL USE WIPING RAGS
Sold by the pound. Free Samples for your specifications.
For information, call collect: 603-877-6930

MAILING LISTS/SERVICES

MAILING LISTS. Every category available. Call for FREE catalog. First National List Service. TOLL-FREE: 800-621-5548 (in ILL: 312-275-4422).

FREE MAILING LIST CONSULTATION. Every category available. Details: GOC/4S, Box 1107, Stuart, FL 33494. Or call for free consultation, 800-554-LIST or 305-334-5205.

MAILORDER BUYERS! ALL CATEGORIES IN ZIP CODE ORDER. These people will respond to MAILORDER OFFERS. GUARANTEED DELIVERABLE! For full details RUSH SASE to: DAC Adv., P.O. Box 230, High Shoals, N.C. 28077.

FRESH, HOT, RESPONSIVE NAME LISTS of mailorder BUYERS. Most categories. Computerized in ZIP CODE ORDER. Peel & stick labels. GUARANTEED DELIVERABLE. For brochure, write: Crugo Publishers, 725-NB Stratford Rd, Stratford, CT 06497.

PLANTS/AGRICULTURAL PRODUCTS

TREES: Planting stock for Christmas, ornamental & reforestation at wholesale prices. Free pricelist & planting guide. Flickingers' Nursery, Segamore, PA 16250. 412-783-6528.

PROFESSIONAL SERVICES

INVENTIONS, IDEAS, TECHNOLOGY WANTED!
Industry presentation/national exposition
CALL TOLL FREE: 1-800-528-6050 X831

INVENTORS! Have an idea, product or invention? Don't know what to do? Call AIM, we present ideas to manufacturers. For free information kit, toll free 1-800-225-5800.

MANAGEMENT CONSULTANT
BUSINESS BROKER
PUBLIC SHELLS
PROMOTER
Phone: 1-309-686-8865

REAL ESTATE

FLORIDA WEST COAST-Gulf front condos, 2BR, 2BA from $99,000. Holland Assoc, Inc. REALTOR, 472 N Clearwater-Largo Rd, Largo, FL 33540. Call collect, 813/584-2809.

VAIL VALLEY: 1,700 acres lying between Vail & Beaver Creek with water rights. Spectacular view. Canada's of Vail. 483 West Lionshead, Vail, CO 81657. 303-476-1600.

HILTON HEAD GOLF FAIRWAY VILLA. Premier site Palmetto Dunes Resort. Short walk to ocean, tennis, all amenities. 2BR, 2BA, decorator furn. Excellent rental history. For sale or weekly rental. P. Brumagin, owner/broker, Box 767, Seven Lakes, NC 27376. 919-673-1311.

WESTERN WISCONSIN PROPERTIES
High values, low prices. Retirement, recreational & all types of agricultural land. Good investment plus tax advantages. WISCONSIN FARM REALTY, Rt. 1, Alma, WI 54610. 715-946-3185. Emmett Rutschow, Owner/Broker.

RETIREMENT/VACATION/INVESTMENT PROPERTY
SEVEN LAKES—Pinehurst, NC area. Established 5000 acre private resort. Golf & raquet clubs; boating, fishing & swimming lakes; riding stables; 24 hr. security. Homes, townhouses & homesites avail. Amenities exclusive to property owners. For free brochure & info contact: Paul T. Brumagin, Broker, Box 767, Seven Lakes, NC 27376. 919-673-1311.

SEMINARS/CONFERENCES/ CONVENTIONS

ATTENTION MEETING PLANNERS
Your program will be terrific with our speakers. Call us for ideas. National News Speakers Bureau, Inc., 1117 National Press Bldg., Wash., DC 20045. 202-638-7468.

SUCCESS LEADERS SPEAKER SERVICE
Jordan Enterprises provides business, government leaders, convention keynoters, sales mgmt. trainers, humorists, entertainers. Annual Professional Speakers Showcase, 1st week of May. Dr. DuPree or Margaret Jordan, Lenox Sq. Box 18737, Atlanta, GA 30326. 404-261-1122 or 1-800-ORATORS.

TELEPHONE/TELEX SERVICES

GUARANTEED LOWEST COSTS
WATS/Telex Service
TELEREP 800 (800) 638-2000 800-831-4300

DO IT YOURSELF ITT PHONES FOR BUSINESS
Fully Connectorized Multi-Line Systems/Easy Installation
Call for Info Kit: 800-328-5369; in MN, 612-473-1113

THE NATIONAL COMMUNICATIONS CENTER. . .
. . .YOUR NATIONWIDE TOLL FREE ANSWERING SERVICE
We take your messages and/or ad responses 24 hrs. a day, 365 days a year. Our 800 number saves your caller expense of costly long distance calls at money-saving rates. For FREE LITERATURE call
TOLL FREE (800) 824-7888, ask for Oper. #1820
Distributors for this service wanted. For free distributor information, ask for Oper. #1806.

TELEPHONE/TELEX SERVICES

TELEX MESSAGE SERVICE
No Min. No Equip. Invest. Call Advance World Trade.
1-800-TELEXES in Ill. 1-312-478-0009

NATIONWIDE TOLL FREE ANSWERING SERVICE
Use our 800 numbers on your business cards, etc. Let us answer your phone 24 hrs. a day, 365 days a year. For more information, call
COAST TO COAST 800
800-845-1119 (in S.C., call 800-922-1606)

TRAVEL/VACATION RENTALS/EXCHANGES

FABULOUS FLORIDA KEYS Vacation Rentals & Sales. Condos/homes fully furn. CENTURY 21, Florida Keys, Inc., POB 3B, Key Largo, FL 33037. 1-800-327-1975/305-248-7288.

AMELIA ISLAND, FL: Choice villas & homes on Amelia Island Plantation & other beachfront units. Call AMELIA RENTALS toll free, 800-874-6679 (in FL: 904-261-9129).

HILTON HEAD ISLAND, SC. Rent directly from progressive Hilton Head Owners Network at reduced prices. 305 Fox Run Trail, Dothan, AL 36303. 205-792-8730.

BED & BREAKFAST IN WASHINGTON, D.C.
Rates from $25. Near Museums & Gov't Bldgs. ADAMS INN, 1744 Lanier Pl, NW, Wash, DC 20009. 202-745-3600.

NEW ORLEANS, LA. Lafitte Guest House, 1003 Bourbon (70116). Historic House furn. w/antiques, loc. in French Quarter. Tariff inlcs. wine, cont. brkfst., prkg. 504-581-2678.

ST. CROIX VILLA: Maid, pool, 4/16-12/14, $750/wk; 12/15-4/15, $1500/wk. Low airfares. Bev Collins, Wright Ln, Westford, MA 01886. 617-692-8813. Also, homesite w/expansive sea view for sale.

FLORIDA VACATION RENTALS
Ft. Myers & Bonita Beaches. Luxury condos, fully equiped & furn. 1 week min. Lynn Gillis Real Estate, Inc., 6100 Estero Blvd., Ft. Myers, FL 33931. 813-463-5292.

HAWAII CONDOS at beautiful Wailea on Maui. Beaches, pools, tennis. Enjoy special golf fees & times, 2 courses. For rent by owner. Call toll free 1-800-367-2950.
ASK ABOUT BUYING AT WAILEA!

COLORADO DUDE RANCH: THIS GREAT VACATION EXPERIENCE includes your own horse for a week, homecooking, jeep trips, raft trips, evening entertainment, more. Economical family rates, American Plan. DROWSY WATER RANCH, Box 147-B, Granby, CO 80446. 303-725-3456.

BEST BUY ON MAUI: 4BR, 3BA, + 2 powder rooms, 2 wet bars. Fantastic family kitchen, Formal DR, large family room opening onto pool, Ocean view & spectacular poolside view of Mt. Haleakala. Owner-builder has kept property in mint condition. WAILEA PROPERTIES.
1-800-367-2950.

Pushing Health And Women in Business

PHOTO: CHUCK KNEYSE—BLACK STAR

Her daily nutrition program on KCCV radio in Kansas City gives Kay Smith visibility that is good for her health products distributing firm, Accents on Health.

Kay Smith is a pusher. She pushes health. And she pushes women's business ownership.

Smith's struggle with her own health problems led her to found Accents on Health, an Overland Park, Kans., firm that realizes about $500,000 in sales annually. Now her interest in women entrepreneurs may turn out to be just as lucrative. Perhaps more so.

A regal blonde, Smith, 38, is so good-looking it is hard to believe that for 17 years she had a severe skin problem that doctors could not diagnose. It was characterized by a red rash and excessive dryness and, she says, "was painful to live with as a child growing up."

Out of high school, she had a series of jobs that made her realize she was good at sales and at managing people. She sold insurance in her native Oklahoma, then worked for several employment agencies, helping them build up new branch offices.

One of the companies transferred her to Kansas City, where, as time went on, she had not only the skin problem to contend with, but also dizziness, sharp mood swings and recurring pneumonia.

Doctors did not look at her diet or lifestyle, she recalls. She still speaks testily of a doctor who kept saying, "It's just stress, Kay. Take these tranquilizers."

"I was hooked on Valium," she says. She also smoked two packs of cigarettes a day, and after work, she says, it was "Scotch and water with the boys" and very little food for dinner.

Impressed with what a nutrition-trained chiropractor did to help a friend, she sought his help. But he would not take her case unless she agreed to stick with his nutritional program for six months. By the seventh, she says, "I felt like a little kid, full of energy." What's more, her skin problem had disappeared.

She wondered why more people did not know what good nutrition could do for them. She decided to make spreading the word her business.

"I knew I had to re-educate myself," she says. "I took every nutrition class I could find. I read a different nutrition book every night for over a year."

She also took a salary cut to manage a Kansas City health food store as a means of continuing the learning process. While the experience taught her a lot about business, she was dissatisfied with the products that many such stores sell. Many promoted as "natural" are not, she contends.

Smith found a company whose products satisfied her—Neo-Life Corporation of America in Hayward, Calif.—bought a distributorship and set up shop at home. It is a "multilevel" operation, meaning she sells the products to other people who want to make money selling the Neo-Life line, and she has about 500 distributors working under her. She also does some private nutritional consulting, often with clients referred to her by doctors, and she has a daily nutrition program on Kansas City's KCCV radio. She prefers to spend most of her time, she says, developing distributors who want to build multilevel operations like hers.

Once a distributor reaches $4,000 a month in volume, he no longer orders from Smith but buys directly from Neo-Life headquarters. Smith continues to receive a bonus on his sales because she trained him and brought him along.

"While you've got people working for you, you can go fishing," she says.

It is unlikely Kay Smith will go fishing, however.

"There is a drive within me that I just can't stop," says the self-confessed workaholic. "I have always had it."

It may have been nurtured by her father, Leonard Earl Cagle, a petroleum engineer and cattleman who schooled Smith in the ways of business strategy by teaching her to play checkers at the age of 4. He also taught her how to bid on cattle.

She speaks with warmth of the "great influence" her father has had on her business savvy, as well as the influence of her mother, Sarah Cagle. "She always gave me positive strokes. She told me I could do anything."

President-elect of the Mid-America chapter of the National Association of Women Business Owners, Smith is passing the positive strokes along to other women entrepreneurs. Angling for federal funds and private investment, she hopes to launch a facility she is calling the "Women's Entrepreneur Center" in suburban Kansas City in the spring.

The center will be an "incubator," aimed at helping new business owners get their businesses off the ground.

And if things go as she plans, the center will be just the first in a string of 20 for-profit incubators that Smith will set up around the country.

She said she had drive.

—Sharon Nelton

High Tech Bard Of Greeting Cards

How many times have you tried to buy a greeting card for a friend only to be exasperated by a selection that lacks the personal touch?

J. Dwight Minkler II has come to the rescue. You can walk into more and more gift and card shops and find his invention, the Computer Poet—an Apple Macintosh microcomputer programed to help you customize a message. Suppose you are a buddy of Chrysler Chairman Lee Iacocca and

would like to send him a special greeting. Push the right buttons, and the Poet will come up with three appropriate verses.

When we pushed, the result was:

Hi, Lee
Come hear of this fellow today
In Detroit he lives and he plays
Successful right through
That's just how he grew
It's Lee Iacocca—we'll tell you his ways.

Creates and completes things so fast
'Cause getting results is a blast
He gets a lot done
And does it with fun
In this he is quite unsurpassed.

This poem sends a message today
"Keep it up," I just want to say
I mean every word
Each one that you heard
"Keep it up," I'll say if I may.

Or you could send a verse to Orson Welles, noting "an appetite great/for food he can't wait."

The Poet creates its verses from information you provide: the recipient's first name, hometown and character traits and occasion for the card. You can choose the title.

Once the message is completed to your satisfaction, your name is "signed," and the Poet gives you a printout that can be fastened to a card front, sealed in an envelope and mailed. Cost to you: $3 (plus postage, of course).

Minkler, 40, was an 18-year computer veteran who worked for International Business Machines Corporation in New York City before starting his own consulting business. A business trip to Arizona hooked him on the beauties of the West. On his return to New York, he packed up his belongings and within two weeks had moved to Phoenix.

Arizona has been good to Minkler. He met his wife, H. Louise Van Buskirk, there (she is the "words" person behind the Poet) and linked up with businessman J. Mansel Ocheltree, who was so taken with Minkler's creation that he bought Minkler out and started a company to market it. Minkler is being paid royalties and is under a two-year contract to improve the Poet.

The Computer Poet Corporation was born last July. It is housed in an office building owned by Ocheltree, the chairman, in Incline Village, Nev., a planned community near Lake Tahoe.

"Market acceptance has been nothing short of fantastic," says Computer Poet's President Michael Lynch. "Our invention is really a marketer's dream, since we have no direct competition."

Projections "have the company doing well over $1 million in new sales in the first year," says Lynch. "That's not counting reorders."

The Computer Poet already numbers 17 full-time employes and 100 independent sales representatives. Dedication is strong, Lynch says. "It's a rare Sunday when you walk past our offices and don't see people working."

Nearly 300 Poets have been installed from Alaska to Louisiana. The company is breaking into the East Coast market, and Lynch predicts there will be 2,500 leased machines throughout the country in two years.

To lease a Poet, a store pays $1,940, which covers 960 greeting cards and a $400 security deposit (refundable under certain conditions). The store also pays a monthly fee of $50 to $100, unless card sales reach 800 a month.

Besides gift and card shops, the Poet can be found in military exchange stores, airports and hotels. In Las Vegas, nine casinos are selling 30,000 cards a month. The company expects to expand to hospital gift shops, cruise ships and resorts.

Minkler has wasted no time refining the Poet. Cards can now be addressed to more than one person. Customers are serenaded by the Poet while it prints the poem. A Spanish version is available. And soon, the Poet will ask questions vocally, instead of on a screen.

—Mary-Margaret Wantuck

PHOTO: SUSAN KEMPER

Inventor Dwight Minkler (right) and businessman Michael Lynch have installed 300 of their poetic computers in gift and card shops.

Bringing Newsstands Out of Dark Corners

Eddie Elson says genius is asking original questions. In 1967, the Atlanta entrepreneur and magazine distributor wondered why newsstands in hotels, airports, train stations and office buildings had to be "dark, dank, dusty, musty little places in the corner, next to the men's room." That year he pioneered a classy Elson's gift and news shop in Atlanta's Hyatt Regency Hotel.

Last year—and 250 stores later—Elson's topped $100 million in sales. Most major hotel chains and transportation hubs in the country have Elson's outlets. The inquisitive businessman virtually created a new industry out of his simple question—plus exquisite taste in merchandise and more than a few shrewd marketing concepts.

PHOTO: WAYNE SORCE


Eddie Elson thought newsstands should have class. Now he runs 250 upscale shops in places like the Waldorf-Astoria.

"We're growing geometrically," says Elson. "We went from 100 outlets two years ago to 150 last year to 250 this year. We have opened 50 within the last three months." Almost weekly, he adds, some investment banking house asks to take Elson's public or a large company seeks to buy him out.

Elson laughs off such approaches. "It's much more fun owning it yourself, running with it as far as you can run and jumping as fast as you can jump.

"We took the newsstands out of the back rooms and brought them into the lobbies," he says. "We made them elaborate, elegant centers of convenience, as entertainment for guests, a sort of Disneyland for adults. They caught on. The Hyatts wanted them, then the Hiltons, the Sheratons, the Holiday Inns, the Intercontinentals."

Last year, Elson's gobbled up the No.

2 gift and news chain, Piccadilly Place, Inc. That added another 32 locations and put enormous distance between the Atlanta corporation and its competition.

Elson tailors each shop to its locale, sometimes even changing a hotel store's merchandise and display theme to accommodate clientele hosted in a given week.

Many of his shops return more profit than hotel restaurants and bars, a far cry from the old hotel newsstands maintained primarily as a service to guests.

His strategy:

- Build store identity with Elson's-name products, like some of the confections, stationery, panty hose and shaving cream wrapped in silver paper under Elson's name.
- Have flexible buying policies. Elson's buyers scout out unusual items worldwide to keep the inventory interesting.
- Watch merchandise trends closely. Headquarters maintains weekly contact with store managers to learn what is moving and what is not.
- Energize salespeople. Have them ask customers to inspect new items.

Each shop is regionally stylized. Wood panels and darker walls in the Dallas Adolphus Hotel shop match the building's old-fashioned architecture. There are abundant windows and latticed decorations in the Palm Beach Hilton in Florida.

The inventory also reflects the locale. In the Washington Hilton, there are one-of-a-kind brass pieces with an Americana theme, as well as authentic presidential autographs. In the New Orleans Hilton, there are Confederate souvenirs and merchandise from the antebellum South. And there are antique ship models in the Waldorf-Astoria in New York.

"Our shops sell gifts that go beyond regular gifts," says Elson. "There are gifts you could not find elsewhere."

Elson is on a roll. "We're like the fellow on an Easter egg hunt, running around and picking up all the eggs," he says.

—Henry Eason

Almost Leaving Well Enough Alone

What can a Harvard M.B.A. bring to a Deep South machine shop that has been run successfully by the seat of the pants for two decades? "Not much," admits Bryan Jackson, "except a little strategic planning."

Jackson is the principal stockholder and president of Superior Machine Company, of Florence, S.C., a firm that had annual sales of $9 million when Jackson acquired it in 1982. This year sales are expected to top $14.5 million.

While Jackson can take credit for the increase, he has not disturbed the simple way the company was operating before he came on the scene. There are no stringent work rules or strict corporate policies. There are no union rules, because there are no unions. Superior is like a family, Jackson says, with each employe's talents devoted to upholding the firm's standards for excellence.

Jackson entered the corporate world in 1960 after earning his M.B.A. His resumé lists vice presidencies with U.S. Industries, Xerox and TRW. But after 22 years in big business, and just past his 51st birthday, Jackson decided he had had enough of corporate politics. He wanted his own business.

Bryan Jackson's bottom tapping steel furnaces are a first in this country.

After investigating almost 100 small companies that were up for sale, Jackson—with an investment banker at his side and using his own savings—decided on Superior, a firm with fixed assets of $5 million. The banker bought 10 percent of its common stock, and Jackson took 90 percent. Then he turned around and sold part of his shares to six longtime employes.

One of the strengths that attracted Jackson to Superior was its reputation for quality repair and fabrication work for paper and pulp mills and steel companies. Not long after he took over, that reputation led a long-term customer, West Germany's Mannesman Demag Company, to choose Superior to build two bottom tapping steel furnaces for the Raritan River Steel Company, of Perth Amboy, N.J.

These are the first such furnaces built in the United States, says Jackson. Bottom tapping is a cost- and energy-saving technique for electric arc furnaces, enabling molten steel to be drawn from the bottom of the furnace rather than poured in the conventional way, from the top. This eliminates most of the impurities—slag—that rise to the top of the molten mass and are a major obstacle to producing high-quality specialty steel.

Under a Demag contract, Superior is also rebuilding two electric arc furnaces for the Oregon Steel Company. And though Superior's longstanding relationship with Demag was a point of pride for Superior, Jackson also saw it as a problem: too much dependence on the German company.

Jackson's approach has been to keep Demag's business while expanding Superior's work for other firms. One new customer is building paper mill chip feeders; another is making rollers and reel stands for paper mills. Superior also has expanded into repairing and rebuilding rock crushers and manufacturing ladles and dummy bars for steel mills.

Because every job is a custom job involving a multitude of production problems, nearly all of Superior's 200 employes have a say on accepting new business. "The idea is to push decisions down the line," says Jackson. "We operate on the principle that there's no one genius with all the answers."

A prospective job goes to one of Superior's four shops, where the supervisor, foreman, machinists and welders help determine whether they can take it on. "Once the decision is made," Jackson says, "they are committed to do the work, do it on time and do it to our superior standards."

Employes get monthly reports showing the sales income their shops produce. "There's peer pressure and competition among our people," says Jackson. "They try harder."

He adds: "No matter how high the cost of living may go, our people get raises only if their production and quality of work improve. Our people understand that. They respect it and appreciate it."

The system must work, because in Superior's 20-year history, it has never laid off an employe for lack of work. And Jackson is not about to mess with that. Except for a little strategic massaging, of course.

—Tenney Griffin

What You Can Do About Washington Issues That Affect Your Business

This NATION'S BUSINESS feature advises readers how they can make their views known on important pending legislation. Correspondence to members and committees of Congress can be sent either c/o U.S. Senate, Washington, D.C. 20510 or U.S. House of Representatives, Washington, D.C. 20515.

Issue	Potential Impact On Business	Contact And Business Message
SUPERFUND	This toxic waste cleanup program will be reauthorized by Congress this year. The Environmental Protection Agency's recommendation could be sent to Capitol Hill this month. Business will be required to pay a share of the costs.	Members of the House and Senate: When you reauthorize this important legislation, do so at levels that are realistic and reasonable, so that the taxpayers' funds will be used in the most efficient manner.
TAXATION OF EMPLOYE BENEFITS	Congress will be looking at many options in the battle to lower the federal budget deficit. Taxing employe extra benefits will be an area that will see close scrutiny.	Members of the Senate: Do not expand the taxing of employe benefits. Current policy is meeting national economic needs.
COMPARABLE WORTH	Congressional supporters hope for early passage this year of legislation setting a value for each job based on a point system set by subjective evaluation. Implementation would cost hundreds of billions of dollars the first year alone.	Members of the House and Senate: Oppose all comparable worth legislation that would disregard free market values. Enactment of this bureaucratic boondoggle would increase the inflation rate by 9.7 percent.
EXPORT ADMINISTRATION ACT	Last October, Congress adjourned for the election campaign without completing action on this cornerstone program of our international trade agenda. Passage would provide more domestic jobs and reduce our balance of payments deficit.	Members of the House and Senate: Early congressional passage is needed of a bill streamlining our foreign trade licensing regulations. Contract sanctity provisions must also restore our credibility as a trading partner.
TAXES	Tax reform and revision will be a major early initiative of the new 99th Congress. Several tax programs will be available for consideration; business needs to be aware of the various options and implications.	Members of the House and Senate: All of the various tax simplification programs need to be carefully studied. Do not pass a tax increase package under the guise of tax reform.
PRODUCT LIABILITY	The 98th Congress failed to adopt sound product liability reform legislation that would have led to reduced court litigation and less confusion.	Members of the House and Senate: Early in the new Congress, adopt legislation setting clear federal standards for product liability.
GROVE CITY DECISION	Enactment of a broad-based reversal of the Supreme Court's decision in the *Grove City College* case could bind many small businesses with burdensome civil rights regulations.	Members of the House and Senate: Carefully consider the far-reaching impact of bills designed to reverse the *Grove City* decision. Do not adopt overly broad antidiscrimination legislation.
BALANCED-BUDGET AMENDMENT	If Congress could be forced to live within the means of the American people, the entire national economy would benefit.	Members of the House and Senate: Adopt a balanced-budget/tax limitation constitutional amendment and send it to the states for ratification.

Where There's Room For Spending Cuts

President Reagan's plan to reduce federal deficits via spending cuts, not tax increases, remains an essential, realistic and supportable economic policy goal.

His determination to achieve significant spending reductions without touching the two largest spending items—defense and Social Security—is, however, proving far less durable. Adding those two categories to interest payments, which are truly untouchable, would exempt 70 percent of all federal spending from restraints.

The President realizes that significant fiscal restraint is not possible on those terms. He has indicated a willingness to consider a one-year elimination of the cost-of-living increase in Social Security, if overwhelming support for the idea develops in Congress.

The President has stood fast, on the other hand, in his opposition to slowing the military buildup.

A one-time cancellation of the Social Security adjustment would not undermine the program's overall effectiveness.

And defense cutbacks could be made without weakening national security.

As the budget debate progresses, these points should be carefully considered by all involved, including the President.

A Bad Idea That Should Be Dropped

Proposals to make workers pay income taxes on employer payments for fringe benefits are among the most short-sighted ever put forth as a means of reducing the deficit.

As this month's cover story (page 18) points out, any such action would likely cost the government far more than it gained in revenues.

Workers who gave up fringes rather than pay taxes on them would eventually turn to the government for benefits.

This prospect is an important reason why the tax proposals have drawn such widespread opposition. The U.S. Chamber of Commerce and the AFL-CIO are in rare agreement on a policy issue affecting employers and employes—both are fighting to preserve the present system of benefits.

As Chamber President Richard L. Lesher asserts, "It makes neither social nor economic sense to reduce these benefits through increased taxation ... that will discourage companies from providing benefits and employes from participating in these programs."

And Lane Kirkland, head of the giant labor organization, says, "the added revenues would come "directly and exclusively" from the pockets of working people.

It should be obvious to sponsors of the taxation schemes that any proposal that draws that kind of opposition should be abandoned.

The Temptation To Misread the Mandate

In the foreordained outcome of the vote for Speaker of the House of Representatives, Thomas P. "Tip" O'Neill was re-elected with 60 percent of the vote, while Republican Robert Michel received 40 percent.

Although that vote reflected the political breakdown of the House, it by no means reflected the division of the total popular vote cast for members of that body.

Michel points out that 73 million votes were cast for House candidates, and that the Democratic total exceeded the Republicans' by only 40,000.

Political analysts say that skillful gerrymandering by Democratic-controlled state legislatures is the key to the outcome of many House races. Notwithstanding, Democrats argue that voters sought to place a legislative restraint on President Reagan.

Michel counters that the narrow division of the popular vote "suggests a much more evenly divided American sentiment . . . than is actually represented here by the numbers."

It would be a serious mistake for House Democrats to believe that voters expect them to neutralize the genuine mandate given to President Reagan in the same election. NB

WHO SAYS YOU CAN'T BE ALL THINGS TO ALL PEOPLE?

Martha Simmons of the sales department. All day, every day, she types up orders, invoices and letters that say things like, "Thank you for your inquiry; our salesman will contact you." Her ***SWINTEC 8000 Memory*** *electronic typewriter lets her do it all with just the touch of a code key.* ***$799***

Matthew Tobin. Works in shipping, goes to school at night. Dreams of being a best-selling author. Carries his lightweight ***SWINTEC Collegiate*** *portable electronic to work with him and works on his novel during lunch hour. Loves the Keyboard II feature that lets him type proofreading marks right into the manuscript.* ***$399***

Liz Hastings. Typing pool. It isn't easy handling the correspondence of three busy executives, but the ***SWINTEC 1186CM*** *with features like Automatic Return, Automatic Centering, Automatic Indent and Automatic Decimal Tabulation certainly helps! In fact, it makes heavy duty typing almost automatic.* ***$649***

Miss Winthrop. Executive secretary to the company president. Produces flawless communications on the ***SWINTEC 1146CM.*** *To be honest, sometimes they just look flawless, thanks to the 1146CM's correction memory feature.* ***$549***

The Swintec Electronic Typewriter line can!

From the Collegiate portable to the sophisticated 8000 Memory, SWINTEC makes an electronic typewriter with features to meet the needs of every typist. A computer interface is standard on the 8000 Memory, and the CM models are available in computer-compatible versions, too. Whether you need one SWINTEC for personal typing or several dozen to equip your offices, you'll find that the SWINTEC line of electronic typewriters is, feature-for-feature, the lowest-priced on the market.

See them at your SWINTEC dealer, or return the coupon for more information.

☐ Please have a dealer contact me for a demonstration
☐ Please send me more information
I'm interested in the SWINTEC
☐ Collegiate Portable ☐ 8000 Memory
☐ 1146CM ☐ 1186CM
☐ Computer-compatible 1146 ☐ Computer-compatible 1186

NAME

COMPANY

ADDRESS

CITY STATE ZIP

TELEPHONE

Circle No. 100 on Reader Service Card. 4-41 NS02-85

SWINTEC . . .
just your type!

swintec®
CORPORATION

23 Poplar Street, P.O. Box 421
East Rutherford, NJ 07073
201 935-0115
Outside New Jersey,
call toll-free 800 225-0867